

ANNUAL FINANCIAL REPORT

LAKE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
LAKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2018

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

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Summary of Audit Findings

Annual Financial Report
Lake County, Tennessee
For the Year Ended June 30, 2018

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2018.

Results

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

Our audit resulted in nine 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 Debt Service Fund required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.
- ◆ General ledger payroll deduction accounts were not reconciled with payroll reports and payments in the General and Solid Waste/Sanitation funds.
- ◆ General ledger cash accounts were not properly reconciled with county trustee reports monthly.
- ◆ The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance at June 30, 2018.
- ◆ The office did not file a Report on Debt Obligation with the state Comptroller's Office in a timely manner.
- ◆ The office had deficiencies in purchasing procedures.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The office had deficiencies in budget operations.
-

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

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Lake County Officials

June 30, 2018

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	Joyce McCoy
James Burkett	Terry Pierce
Wayne Hatley	Danny Tippit, II
Nicky Hayes, Jr.	Timothy Windsor
Will Jackson	Jimmy Yates

Highway Commission

Clifford Berry, Sr., Chairman	Doug Gant
Shelby Barker	Jimmy Leake
Clifford Berry, Jr.	Ronald Snyder

Board of Education

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

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, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lake County Emergency Communications District, which represent 15.4 percent, 22 percent, and 3.4 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors who report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lake County Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Lake County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.8 to the financial statements, which describes a restatement reducing the beginning net position of the discretely presented Lake County School Department by \$119,837 on the Government-wide Statement of Activities. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedules of school's proportionate share of the net pension asset or liability, and schedule of changes in the school's total other postemployment benefits liability and related ratios on pages 85-92 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 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 the other information such as the introductory section and management's corrective action plans 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 also 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 not a required part of the basic financial statements.

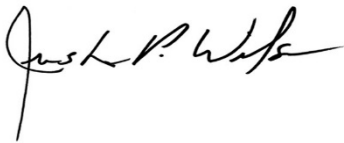
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), schedule of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

The introductory section and management's corrective action plans have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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

November 30, 2018

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Position
June 30, 2018

	Primary Governmental Activities	Component Units	
		Lake County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 1,477	\$ 0	\$ 1,121,896
Equity in Pooled Cash and Investments	1,866,021	1,444,190	0
Accounts Receivable	2,117,460	36,838	0
Allowance for Uncollectibles	(1,607,699)	0	0
Due from Other Governments	378,291	315,889	0
Property Taxes Receivable	1,697,107	913,128	0
Allowance for Uncollectible Property Taxes	(16,662)	(9,304)	0
Cash Shortage	19,245	0	0
Net Pension Asset - Teacher Retirement Plan	0	1	0
Net Pension Asset - Teacher Legacy Pension Plan	0	30,410	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,365,169	67,365	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	933,088	3,990,464	36,660
Infrastructure	3,575,103	0	0
Other Capital Assets	1,107,049	242,245	122,634
Total Assets	<u>\$ 12,435,649</u>	<u>\$ 7,031,226</u>	<u>\$ 1,281,190</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding	\$ 208,974	\$ 0	\$ 0
Pension Changes in Experience	214,161	76,399	0
Pension Changes in Investment Earnings	0	4,616	0
Pension Changes in Assumptions	196,883	314,730	0
Pension Changes in Proportion	0	15,779	0
Pension Contributions After Measurement Date	124,649	358,580	0
OPEB Contributions After Measurement Date	0	53,246	0
Total Deferred Outflows of Resources	<u>\$ 744,667</u>	<u>\$ 823,350</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 80,554	\$ 44,293	\$ 0
Accrued Payroll	0	2,334	0
Payroll Deductions Payable	35,119	100,186	0
Due to State of Tennessee	1,658	0	0
Accrued Interest Payable	24,983	0	0
Noncurrent Liabilities:			
Due Within One Year	478,977	2,012	0
Due in More Than One Year	9,507,328	1,457,954	0
Total Liabilities	<u>\$ 10,128,619</u>	<u>\$ 1,606,779</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Lake County School Department	Emergency Communica- tions District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 1,635,130	\$ 877,503	\$ 0
Pension Changes in Experience	160,612	671,355	0
Pension Changes in Investment Earnings	48	13	0
Pension Other Deferrals	0	98,453	0
OPEB Changes in Assumptions	0	58,781	0
Total Deferred Inflows of Resources	<u>\$ 1,795,790</u>	<u>\$ 1,706,105</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 6,717,832	\$ 4,300,074	\$ 159,294
Restricted for:			
Administration of Justice	23,205	0	0
Public Safety	43,902	0	0
Public Health and Welfare	2,057	0	0
Highway/Public Works	1,181,804	0	0
Education	0	4,740	0
Debt Service	213,923	0	0
Capital Projects	87,050	0	0
Pensions	0	30,411	0
Unrestricted	<u>(7,013,866)</u>	<u>206,467</u>	<u>1,121,896</u>
Total Net Position	<u>\$ 1,255,907</u>	<u>\$ 4,541,692</u>	<u>\$ 1,281,190</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, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Governmental Activities	Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Lake County School Department	Emergency Communica- tions District
Primary Government: Governmental Activities:							
General Government	\$ 970,898	\$ 101,199	\$ 611,641	\$ 0	\$ (258,058)	\$ 0	\$ 0
Finance	347,045	155,835	0	0	(191,210)	0	0
Administration of Justice	502,958	196,666	33,451	0	(272,841)	0	0
Public Safety	1,336,124	438,975	83,890	0	(813,259)	0	0
Public Health and Welfare	1,048,588	894,008	4,584	0	(149,996)	0	0
Social, Cultural, and Recreational Services	124,143	0	36,713	0	(87,430)	0	0
Agriculture and Natural Resources	27,426	0	0	0	(27,426)	0	0
Highways	1,417,880	9,319	1,595,310	0	186,749	0	0
Interest on Long-term Debt	329,864	0	2,136	0	(327,728)	0	0
Total Primary Government	\$ 6,104,926	\$ 1,796,002	\$ 2,367,725	\$ 0	\$ (1,941,199)	\$ 0	\$ 0
Component Units:							
Lake County School Department	\$ 8,992,770	\$ 79,015	\$ 1,780,173	\$ 0	\$ 0	\$ (7,133,582)	\$ 0
Emergency Communications District	161,799	212,642	0	105,263	0	0	156,106
Total Component Units	\$ 9,154,569	\$ 291,657	\$ 1,780,173	\$ 105,263	\$ 0	\$ (7,133,582)	\$ 0

(Continued)

Exhibit B

Lake County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Governmental Activities	Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Lake County School Department	Emergency Communica- tions District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,555,280	\$ 932,687	\$ 0
Property Taxes Levied for Debt Service					45,646	0	0
Local Option Sales Taxes					375,925	337,402	0
Hotel/Motel Tax					28,418	0	0
Wheel Tax					224,264	43,854	0
Litigation Tax					32,780	0	0
Business Tax					32,341	3,549	0
Other Local Taxes					10,608	0	0
Grants and Contributions Not Restricted to Specific Programs					74,957	5,781,073	0
Unrestricted Investment Income					18,002	0	2,142
Miscellaneous					12,623	17,249	0
Total General Revenues					\$ 2,410,844	\$ 7,115,814	\$ 2,142
Change in Net Position					\$ 469,645	\$ (17,768)	\$ 158,248
Net Position, July 1, 2017					786,262	4,679,297	1,122,942
Restatement - See Note I.D.8.					0	(119,837)	0
Net Position, June 30, 2018					\$ 1,255,907	\$ 4,541,692	\$ 1,281,190

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, 2018

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,477	\$ 1,477
Equity in Pooled Cash and Investments	471,658	1,006,188	329,889	58,159	1,865,894
Accounts Receivable	2,116,632	0	0	828	2,117,460
Allowance for Uncollectibles	(1,607,699)	0	0	0	(1,607,699)
Due from Other Governments	45,461	273,388	57,487	1,955	378,291
Due from Other Funds	3,333	0	0	0	3,333
Property Taxes Receivable	1,451,785	28,855	138,445	78,022	1,697,107
Allowance for Uncollectible Property Taxes	(14,662)	(288)	(936)	(776)	(16,662)
Cash Shortage	19,245	0	0	0	19,245
Total Assets	\$ 2,485,753	\$ 1,308,143	\$ 524,885	\$ 139,665	\$ 4,458,446
<u>LIABILITIES</u>					
Accounts Payable	\$ 58,442	\$ 17,608	\$ 0	\$ 4,504	\$ 80,554
Payroll Deductions Payable	35,119	0	0	0	35,119
Due to Other Funds	0	0	0	3,206	3,206
Due to State of Tennessee	1,561	0	0	97	1,658
Total Liabilities	\$ 95,122	\$ 17,608	\$ 0	\$ 7,807	\$ 120,537
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,396,019	\$ 27,776	\$ 136,230	\$ 75,105	\$ 1,635,130
Deferred Delinquent Property Taxes	39,499	681	1,229	2,057	43,466
Other Deferred/Unavailable Revenue	498,136	128,864	28,703	0	655,703
Total Deferred Inflows of Resources	\$ 1,933,654	\$ 157,321	\$ 166,162	\$ 77,162	\$ 2,334,299

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Administration of Justice	\$ 5,277	\$ 0	\$ 0	\$ 17,928	\$ 23,205
Restricted for Public Safety	4,732	0	0	39,170	43,902
Restricted for Highways/Public Works	0	1,133,214	0	0	1,133,214
Restricted for Capital Projects	87,050	0	0	0	87,050
Committed:					
Committed for Debt Service	0	0	358,723	0	358,723
Unassigned	359,918	0	0	(2,402)	357,516
Total Fund Balances	<u>\$ 456,977</u>	<u>\$ 1,133,214</u>	<u>\$ 358,723</u>	<u>\$ 54,696</u>	<u>\$ 2,003,610</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,485,753</u>	<u>\$ 1,308,143</u>	<u>\$ 524,885</u>	<u>\$ 139,665</u>	<u>\$ 4,458,446</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, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,003,610
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,365,169	
Add: buildings and improvements net of accumulated depreciation		933,088	
Add: infrastructure net of accumulated depreciation		3,575,103	
Add: other capital assets net of accumulated depreciation		<u>1,107,049</u>	7,980,409
(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	\$	(16,370)	
Less: bonds payable		(9,520,000)	
Less: accrued interest on bonds		(24,983)	
Less: other deferred revenue - premium on debt		(38,689)	
Add: deferred charges - discount on debt issued		9,884	
Less: compensated absences payable		(252,135)	
Add: deferred amount on refunding		208,974	
Less: net pension liability - agent plan		<u>(168,995)</u>	(9,802,314)
(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	\$	535,693	
Less: deferred inflows of resources related to pensions		<u>(160,660)</u>	375,033
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>699,169</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>1,255,907</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, 2018

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,764,758	\$ 28,014	\$ 430,779	\$ 83,135	\$ 2,306,686
Licenses and Permits	12,895	0	0	0	12,895
Fines, Forfeitures, and Penalties	62,590	0	0	25,560	88,150
Charges for Current Services	836,819	0	0	1,055	837,874
Other Local Revenues	112,564	2,221	0	0	114,785
Fees Received From County Officials	274,642	0	0	0	274,642
State of Tennessee	463,888	1,585,408	0	1,955	2,051,251
Federal Government	556,767	0	0	0	556,767
Other Governments and Citizens Groups	91,334	9,223	125,000	35,224	260,781
Total Revenues	\$ 4,176,257	\$ 1,624,866	\$ 555,779	\$ 146,929	\$ 6,503,831
<u>Expenditures</u>					
Current:					
General Government	\$ 462,270	\$ 0	\$ 0	\$ 0	\$ 462,270
Finance	358,001	0	0	0	358,001
Administration of Justice	515,661	0	0	0	515,661
Public Safety	1,277,054	0	0	7,166	1,284,220
Public Health and Welfare	851,289	0	0	98,753	950,042
Social, Cultural, and Recreational Services	120,364	0	0	0	120,364
Agriculture and Natural Resources	26,934	0	0	0	26,934
Other Operations	524,603	0	0	0	524,603
Highways	0	1,391,508	0	0	1,391,508
Debt Service:					
Principal on Debt	0	0	445,000	20,571	465,571
Interest on Debt	0	0	307,956	2,366	310,322
Other Debt Service	0	0	5,258	0	5,258
Total Expenditures	\$ 4,136,176	\$ 1,391,508	\$ 758,214	\$ 128,856	\$ 6,414,754

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,081	\$ 233,358	\$ (202,435)	\$ 18,073	\$ 89,077
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 365	\$ 0	\$ 0	\$ 0	\$ 365
Transfers In	0	0	0	2,500	2,500
Transfers Out	(2,500)	0	0	0	(2,500)
Total Other Financing Sources (Uses)	\$ (2,135)	\$ 0	\$ 0	\$ 2,500	\$ 365
Net Change in Fund Balances	\$ 37,946	\$ 233,358	\$ (202,435)	\$ 20,573	\$ 89,442
Fund Balance, July 1, 2017	419,031	899,856	561,158	34,123	1,914,168
Fund Balance, June 30, 2018	\$ 456,977	\$ 1,133,214	\$ 358,723	\$ 54,696	\$ 2,003,610

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, 2018

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)		\$ 89,442
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 369,416	
Less: current-year depreciation expense	<u>(585,279)</u>	(215,863)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$ 699,169	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(630,565)</u>	68,604
<p>(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.</p>		
Add: principal payment on capital lease	\$ 20,571	
Add: principal payments on bonds	445,000	
Less: change in deferred amount on refunding debt	(19,670)	
Add: change in premium on debt issuance	2,136	
Less: change in discount on debt issuance	<u>(552)</u>	447,485
<p>(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.</p>		
Change in accrued interest payable	\$ 680	
Change in compensated absences payable	(23,154)	
Change in deferred outflows related to pensions	292,395	
Change in deferred inflows related to pensions	8,519	
Change in net pension liability	<u>(198,463)</u>	<u>79,977</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 469,645</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,764,758	\$ 1,702,663	\$ 1,727,835	\$ 36,923
Licenses and Permits	12,895	4,750	4,750	8,145
Fines, Forfeitures, and Penalties	62,590	45,675	45,675	16,915
Charges for Current Services	836,819	816,025	816,025	20,794
Other Local Revenues	112,564	170,900	170,900	(58,336)
Fees Received From County Officials	274,642	250,400	250,400	24,242
State of Tennessee	463,888	508,000	508,000	(44,112)
Federal Government	556,767	27,000	27,000	529,767
Other Governments and Citizens Groups	91,334	112,000	112,000	(20,666)
Total Revenues	\$ 4,176,257	\$ 3,637,413	\$ 3,662,585	\$ 513,672
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 26,927	\$ 27,400	\$ 27,400	\$ 473
County Mayor/Executive	158,149	150,851	154,972	(3,177)
County Attorney	18,337	12,000	18,337	0
Election Commission	99,930	102,030	105,366	5,436
Register of Deeds	87,069	88,090	88,922	1,853
Development	11,145	11,000	12,245	1,100
County Buildings	60,713	59,925	72,745	12,032
<u>Finance</u>				
Property Assessor's Office	107,517	110,527	111,115	3,598
County Trustee's Office	112,878	114,956	115,767	2,889
County Clerk's Office	137,606	136,846	138,152	546
<u>Administration of Justice</u>				
Circuit Court	188,802	190,424	197,544	8,742
General Sessions Court	113,746	114,833	115,830	2,084
Chancery Court	90,400	93,913	94,402	4,002
Juvenile Court	61,341	49,538	57,175	(4,166)
Other Administration of Justice	4,363	3,500	4,363	0
Courtroom Security	57,009	25,000	52,182	(4,827)
<u>Public Safety</u>				
Sheriff's Department	585,764	554,189	612,802	27,038
Jail	676,121	655,237	693,044	16,923
Civil Defense	15,169	21,000	21,000	5,831
<u>Public Health and Welfare</u>				
Local Health Center	33,933	79,290	79,290	45,357
Ambulance/Emergency Medical Services	789,642	678,860	778,652	(10,990)
Sanitation Management	27,714	32,606	32,606	4,892
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	88,765	95,012	95,012	6,247
Libraries	21,250	21,500	21,500	250
Other Social, Cultural, and Recreational	10,349	10,000	10,000	(349)
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	26,934	31,398	31,398	4,464
<u>Other Operations</u>				
Tourism	29,977	35,000	35,000	5,023
Other Economic and Community Development	390,927	12,000	402,927	12,000

(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	\$ 43,607	\$ 35,000	\$ 35,000	\$ (8,607)
Contributions to Other Agencies	4,653	6,000	6,000	1,347
Employee Benefits	55,439	70,400	90,852	35,413
Total Expenditures	<u>\$ 4,136,176</u>	<u>\$ 3,628,325</u>	<u>\$ 4,311,600</u>	<u>\$ 175,424</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,081	\$ 9,088	\$ (649,015)	\$ 689,096
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 365	\$ 0	\$ 0	\$ 365
Transfers Out	(2,500)	0	0	(2,500)
Total Other Financing Sources	<u>\$ (2,135)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,135)</u>
Net Change in Fund Balance	\$ 37,946	\$ 9,088	\$ (649,015)	\$ 686,961
Fund Balance, July 1, 2017	<u>419,031</u>	<u>295,933</u>	<u>295,933</u>	<u>123,098</u>
Fund Balance, June 30, 2018	<u><u>\$ 456,977</u></u>	<u><u>\$ 305,021</u></u>	<u><u>\$ (353,082)</u></u>	<u><u>\$ 810,059</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 28,014	\$ 25,750	\$ 25,750	\$ 2,264
Other Local Revenues	2,221	29,000	29,000	(26,779)
State of Tennessee	1,585,408	2,314,552	2,314,552	(729,144)
Other Governments and Citizens Groups	9,223	15,000	15,000	(5,777)
Total Revenues	<u>\$ 1,624,866</u>	<u>\$ 2,384,302</u>	<u>\$ 2,384,302</u>	<u>\$ (759,436)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 222,655	\$ 265,731	\$ 265,731	\$ 43,076
Highway and Bridge Maintenance	466,698	1,414,500	1,414,500	947,802
Operation and Maintenance of Equipment	262,067	431,364	431,364	169,297
Other Charges	120,703	126,790	126,790	6,087
Employee Benefits	98,087	112,000	112,000	13,913
Capital Outlay	221,298	402,000	402,000	180,702
Total Expenditures	<u>\$ 1,391,508</u>	<u>\$ 2,752,385</u>	<u>\$ 2,752,385</u>	<u>\$ 1,360,877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 233,358</u>	<u>\$ (368,083)</u>	<u>\$ (368,083)</u>	<u>\$ 601,441</u>
Net Change in Fund Balance	\$ 233,358	\$ (368,083)	\$ (368,083)	\$ 601,441
Fund Balance, July 1, 2017	<u>899,856</u>	<u>804,794</u>	<u>804,794</u>	<u>95,062</u>
Fund Balance, June 30, 2018	<u>\$ 1,133,214</u>	<u>\$ 436,711</u>	<u>\$ 436,711</u>	<u>\$ 696,503</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, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 190,984
Equity in Pooled Cash and Investments	10,166
Due from Other Governments	<u>28,481</u>
Total Assets	<u>\$ 229,631</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 36,857
Due to Litigants, Heirs, and Others	190,984
Due to Joint Venture	<u>1,790</u>
Total Liabilities	<u>\$ 229,631</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, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Lake County:

A. Reporting Entity

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

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

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

The Lake County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lake County, and the Lake County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The 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, 2018.

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 outstanding 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 .51 percent of total taxes levied.

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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

4. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, and employer contributions made to the pension and other postemployment benefit plans 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 and investment earnings, pension changes in proportionate share of contributions, OPEB changes in assumptions and other inputs, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

It is the general policy of Lake County (with the exception of the Sheriff's and Highway departments) not to allow employees to accumulate vacation and sick leave beyond year-end. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

It is the Sheriff's Department's policy to permit employees to accumulate earned but unused vacation benefits that will be paid to employees upon separation from service. Employees are also allowed to accumulate a limited amount of unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

It is the Highway Department's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits that will be paid to employees upon separation from service. Full-time employees of the Highway Department are allowed to accumulate an unlimited amount of unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

It is the policy of the discretely presented Lake County School Department to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. A liability for vacation pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The policy of the School Department permits the unlimited accumulation of unused sick leave for professional personnel (teachers). The salaried para-professional employees are allowed to accumulate a limited amount of unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and are 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.

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2018, Lake County had \$4,984,000 in outstanding debt for capital purposes for the discretely presented Lake County School Department. This debt is a liability of Lake County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Lake County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned

amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county’s Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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

8. Restatement

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Lake County has adopted the provisions of GASB Statement No.

75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. A restatement reducing the beginning net position of the Discretely Presented Lake County School Department by \$119,837 has been recognized to account for the transitional requirements.

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 \$2,402 at June 30, 2018. This deficit in 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 \$16,600 restitution leaving an outstanding balance of \$19,244.63 due the county at June 30, 2018.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation and General Debt Service funds by \$7,611 and \$946, respectively.

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 - County Mayor/Executive	\$ 3,177
Administration of Justice - Juvenile Court	4,166
Administration of Justice - Courtroom Security	4,827
Public Health & Welfare - Ambulance/Emergency Medical Services	10,990
Social, Cultural, & Recreational Services - Other Social, Cultural and Recreational	349
Other Operations - Other Charges	8,607
Other Financing Sources - Transfers Out	2,500
School Department:	
General Purpose School Fund:	
Support Services - Transportation	12,800
Operation of Non-Instructional Services - Food Service	16,482

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 Fund resulted in appropriations exceeding estimated available funding by \$353,082.

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, 2018.

B. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government – Governmental Activities

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets				
Not Depreciated:				
Land	\$ 2,364,669	\$ 500	\$ 0	\$ 2,365,169
Total Capital Assets				
Not Depreciated	\$ 2,364,669	\$ 500	\$ 0	\$ 2,365,169
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,734,245	\$ 0	\$ 0	\$ 3,734,245
Infrastructure	5,006,376	0	0	5,006,376
Other Capital Assets	4,744,706	368,916	(101,125)	5,012,497
Total Capital Assets				
Depreciated	\$ 13,485,327	\$ 368,916	\$ (101,125)	\$ 13,753,118
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,683,346	\$ 117,811	\$ 0	\$ 2,801,157
Infrastructure	1,214,454	216,819	0	1,431,273
Other Capital Assets	3,755,924	250,649	(101,125)	3,905,448
Total Accumulated				
Depreciation	\$ 7,653,724	\$ 585,279	\$ (101,125)	\$ 8,137,878
Total Capital Assets				
Depreciated, Net	\$ 5,831,603	\$ (216,363)	\$ 0	\$ 5,615,240
Governmental Activities				
Capital Assets, Net	\$ 8,196,272	\$ (215,863)	\$ 0	\$ 7,980,409

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

Governmental Activities:

General Government	\$ 14,463
Finance	1,496
Administration of Justice	2,182
Public Safety	88,070
Public Health and Welfare	169,155
Social, Cultural, and Recreational Services	4,760
Agriculture and Natural Resources	492
Highway/Public Works	<u>304,661</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 585,279</u>

Discretely Presented Lake County School Department – Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets				
Not Depreciated:				
Land	\$ 67,365	\$ 0	\$ 0	\$ 67,365
Construction in Progress	26,143	0	(26,143)	0
Total Capital Assets				
Not Depreciated	<u>\$ 93,508</u>	<u>\$ 0</u>	<u>\$ (26,143)</u>	<u>\$ 67,365</u>
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 10,185,645	\$ 135,881	\$ 0	\$ 10,321,526
Other Capital Assets	1,528,315	48,877	0	1,577,192
Total Capital Assets				
Depreciated	<u>\$ 11,713,960</u>	<u>\$ 184,758</u>	<u>\$ 0</u>	<u>\$ 11,898,718</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 6,018,959	\$ 312,103	\$ 0	\$ 6,331,062
Other Capital Assets	1,257,378	77,569	0	1,334,947
Total Accumulated				
Depreciation	<u>\$ 7,276,337</u>	<u>\$ 389,672</u>	<u>\$ 0</u>	<u>\$ 7,666,009</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 4,437,623</u>	<u>\$ (204,914)</u>	<u>\$ 0</u>	<u>\$ 4,232,709</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 4,531,131</u>	<u>\$ (204,914)</u>	<u>\$ (26,143)</u>	<u>\$ 4,300,074</u>

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

Governmental Activities:

Instruction	\$ 275,424
Support Services	101,558
Operation of Non-instructional Services	<u>12,690</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 389,672</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Highway/Public Works	\$ 127
"	Nonmajor governmental	3,206

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 \$127 was in transit from the Highway/Public Works Fund at June 30, 2018.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, 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	\$ 444	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:

Asset	Governmental Activities
Machinery and Equipment	\$ 78,265
Less: Accumulated Depreciation	<u>(25,350)</u>
Total Book Value	<u>\$ 52,915</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30	Governmental Funds
2019	<u>\$ 16,754</u>
Total Minimum Lease Payments	\$ 16,754
Less: Amount Representing Interest	<u>(384)</u>
Present Value of Minimum Lease Payments	<u>\$ 16,370</u>

E. Long-term Obligations

Primary Government

General Obligation Bonds

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, 2018, will be retired from the General Debt Service Fund.

General obligation bonds and the capital lease outstanding as of June 30, 2018, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-18</u>
General Obligation Bonds	2 to 3.125 %	6-1-30	\$ 1,165,000	\$ 950,000
General Obligation Refunding Bonds	.4 to 4	6-1-37	10,225,000	8,570,000
Capital Lease	7	3-6-19	78,265	16,370

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2018, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2024-2028	2,675,000	1,049,835	3,724,835
2029-2033	2,830,000	607,327	3,437,327
2034-2037	1,660,000	128,813	1,788,813
Total	<u>\$ 9,520,000</u>	<u>\$ 3,178,095</u>	<u>\$ 12,698,095</u>

There is \$358,723 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,216, based on the 2010 federal census. Total debt per capita, including bonds, the capital lease, unamortized debt premiums, and unamortized debt discounts totaled \$1,221, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Bonds	Capital Lease	Compensated Absences
Balance, July 1, 2017	\$ 9,965,000	\$ 36,941	\$ 228,981
Additions	0	0	94,739
Reductions	(445,000)	(20,571)	(71,585)
Balance, June 30, 2018	<u>\$ 9,520,000</u>	<u>\$ 16,370</u>	<u>\$ 252,135</u>
Balance Due Within One Year	<u>\$ 450,000</u>	<u>\$ 16,370</u>	<u>\$ 12,607</u>

	Net Pension Liability*
Balance, July 1, 2017	\$ (29,468)
Additions	1,151,422
Reductions	<u>(952,959)</u>
Balance, June 30, 2018	<u>\$ 168,995</u>
Balance Due Within One Year	<u>\$ 0</u>

*At July 1, 2017, Lake County had a net pension asset.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 9,957,500
Add: Unamortized Premium on Debt	38,689
Less: Unamortized Discount on Debt	(9,884)
Less: Balance Due Within One Year	<u>(478,977)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,507,328</u>

Compensated absences and the pension liability 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, 2018, was as follows:

	Compensated Absences	Net Pension Liability - Agent Plan*	Other Postemployment Benefits**
Balance, July 1, 2017	\$ 37,952	\$ (32,965)	\$ 1,346,338
Additions	30,894	312,188	137,024
Reductions	(28,615)	(233,403)	(109,447)
Balance, June 30, 2018	<u>\$ 40,231</u>	<u>\$ 45,820</u>	<u>\$ 1,373,915</u>
Balance Due Within One Year	<u>\$ 2,012</u>	<u>\$ 0</u>	<u>\$ 0</u>

*At July 1, 2017, the School Department had a net pension asset.

**Restated Balance - See Note I.D.8.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 1,459,966
Less: Due Within One Year	<u>(2,012)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,457,954</u>

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

F. On-Behalf Payments – Discretely Presented Lake County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lake County School Department. These payments are made by the state to the Local Education Group Insurance Plan. The plan is 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 were \$22,656. 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 \$250,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. These loans were retired prior to June 30, 2018, 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, 2018, was as follows:

	Balance 7-1-17	Issued	Paid	Balance 6-30-18
Tax Anticipation Note	\$ 0	\$ 250,000	\$ (250,000)	\$ 0

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Employee Health Insurance

Effective January 1, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust

for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

D. 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. Dyer County has control over budgeting and financing the joint venture only to the extent of representation by the two board members appointed. 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.

E. Retirement Commitments

1. 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 78.67 percent and the non-certified employees of the discretely presented School Department comprised 21.33 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.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	78
Inactive Employees Entitled to But Not Yet Receiving Benefits	148
Active Employees	116
 Total	 <u><u>342</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, 2018, the employer contribution for Lake County was \$174,021 based on a rate of 5.8 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, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	%	Percentage Target Allocations	%
U.S. Equity	5.69	%	31	%
Developed Market				
International Equity	5.29		14	
Emerging Market				
International Equity	6.36		4	
Private Equity and				
Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25

percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 (Asset) (a)-(b)
Balance, July 1, 2016	\$ 7,654,530	\$ 7,716,963	\$ (62,433)
Changes for the Year:			
Service Cost	\$ 187,842	\$ 0	\$ 187,842
Interest	570,709	0	570,709
Differences Between Expected and Actual Experience	360,787	0	360,787
Changes in Assumptions	333,687	0	333,687
Contributions-Employer	0	170,573	(170,573)
Contributions-Employees	0	146,793	(146,793)
Net Investment Income	0	865,706	(865,706)
Benefit Payments, Including Refunds of Employee Contributions	(465,836)	(465,836)	0
Administrative Expense	0	(10,585)	10,585
Other Changes	0	3,290	(3,290)
Net Changes	\$ 987,189	\$ 709,941	\$ 277,248
Balance, June 30, 2017	\$ 8,641,719	\$ 8,426,904	\$ 214,815

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	78.67%	\$ 6,798,440	\$ 6,629,445	\$ 168,995
School Department	21.33%	1,843,279	1,797,459	45,820
Total		<u>\$ 8,641,719</u>	<u>\$ 8,426,904</u>	<u>\$ 214,815</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Lake County calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Lake County	6.25%	7.25%	8.25%
Net Pension Liability	\$ 1,165,917	\$ 214,815	\$ (589,992)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2018, Lake County recognized pension expense of \$32,023.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, 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
Difference Between Expected and Actual Experience	\$ 272,227	\$ 204,159
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	61
Changes in Assumptions	250,265	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	174,021	N/A
Total	<u>\$ 696,513</u>	<u>\$ 204,220</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” 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	\$ 535,693	\$ 160,660
School Department	160,820	43,560
Total	<u>\$ 696,513</u>	<u>\$ 204,220</u>

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

Year Ending June 30	Amount
2019	\$ (14,099)
2020	202,867
2021	188,060
2022	(58,556)
2023	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 78.67 percent and the non-certified employees of the discretely presented School Department comprised 21.33 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 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, 2018, to the Teacher Retirement Plan were \$49,191, 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, 2018, the School Department reported a liability (asset) of (\$1) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department’s proportion of the net pension liability (asset) was based on the 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, 2017, the School Department’s proportion was zero percent. The proportion as of June 30, 2016, was .010361 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$329.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	0
Changes in Assumptions	3,799	0
Changes in Proportion of Net Pension Liability (Asset)	0	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	49,191	N/A
Total	\$ 52,990	\$ 0

The School Department's employer contributions of \$49,191, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. 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
2019	\$ 329
2020	329
2021	329
2022	329
2023	329
Thereafter	2,154

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of

return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset) \$	0 \$	(1) \$	0

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, 2018, to the Teacher Legacy Pension Plan were \$260,017, which is 9.08 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, 2018, the School Department reported a liability (asset) of (\$30,410) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department’s proportion of the net pension liability (asset) was based on the 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, 2017, the School Department’s proportion was .092943 percent. The proportion measured at June 30, 2016, was .105763 percent.

Negative Pension Expense. For the year ended June 30, 2018, the School Department recognized negative pension expense of \$19,497.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 18,333	\$ 627,808
Changes in Assumptions	257,549	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,616	0
Changes in Proportion of Net Pension Liability (Asset)	15,779	98,453
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	260,017	N/A
Total	<u>\$ 556,294</u>	<u>\$ 726,261</u>

The School Department’s employer contributions of \$260,017 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. 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
2019	\$ (237,442)
2020	73,650
2021	(98,217)
2022	(167,975)
2023	0
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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69	%	31	%
International Equity Emerging Market	5.29		14	
International Equity Private Equity and Strategic Lending	6.36		4	
U.S. Fixed Income	5.79		20	
Real Estate	2.01		20	
Short-term Securities	4.32		10	
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 School Department’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability	\$	2,728,577	\$	(30,410)	\$	(2,310,893)
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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.

2. Deferred Compensation

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state’s 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher’s salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the School Department contributed \$48,622 to this deferred compensation pension plan. There were no contributions by teachers.

F. Other Postemployment Benefits (OPEB)

The discretely presented Lake County School Department provides OPEB benefits to it retirees under the state administered public entity risk pool. For reporting purposes the plan is considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through State Administered Public Entity Risk Pool

The School Department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified employees of the School Department may then join the Tennessee Plan - Medicare (TNM) which provides supplemental medical insurance for retirees with Medicare. However, the School Department does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNM.

The School Department's total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017 TCRS actuarial valuation; 3.44% to 8.2%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend of rate of 3.53 percent with .18% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed below

The discount rate was 3.56 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect

actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Education (LEP) OPEB Plan (Discretely Presented School Department)

Plan Description. Employees of the Lake County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The Lake County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. During the year, Lake County provided direct subsidies of \$225 per month toward the cost of the insurance plan selected by the retiree. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees' premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	5
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	105
 Total	 <u><u>110</u></u>

A state insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid \$53,246 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	<u>Dyer County School Department</u>	<u>State of TN</u>	<u>Total OPEB Liability</u>
	74.165%	25.835%	
Balance July 1, 2016	\$ 1,346,338	\$ 468,988	\$ 1,815,326
Changes for the Year:			
Service Cost	\$ 95,572	\$ 33,292	\$ 128,864
Interest	41,452	14,439	55,891
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(64,780)	(22,566)	(87,346)
Benefit Payments	(44,667)	(15,559)	(60,226)
Net Changes	\$ 27,577	\$ 9,606	\$ 37,183
 Balance June 30, 2017	 \$ 1,373,915	 \$ 478,594	 \$ 1,852,509

The Lake County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Lake County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$45,642 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Lake County School Department's proportionate share of the collective OPEB liability was 74.165% and the State of Tennessee's share was 25.835%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of \$176,667, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	58,781
Benefits Paid After the Measurement Date	<u>53,246</u>	<u>0</u>
Total	<u>\$ 53,246</u>	<u>\$ 58,781</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	\$ (5,998)
2020	(5,998)
2021	(5,998)
2022	(5,998)
2023	(5,998)
Thereafter	(28,791)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

<u>Discount Rate</u>	1% Decrease	Current Discount Rate	1% Increase
	2.56%	3.56%	4.56%

Proportionate Share of the Collective Total OPEB Liability	\$ 1,475,970	\$ 1,373,915	\$ 1,277,339
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease	Current Rates	1% Increase
	6.5 to 2.71%	7.5 to 3.71%	8.5 to 4.71%

Proportionate Share of the Collective Total OPEB Liability	\$ 1,214,329	\$ 1,373,915	\$ 1,565,324
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G. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 262, Private Acts of 1980 and provisions of Section 54-7-113, *TCA*, (Uniform Road Law), which require all purchases exceeding \$10,000 to be made on the basis of publicly advertisement 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.

H. Subsequent Events

On July 12, 2018, Lake County issued capital outlay notes totaling \$60,000 for patrol cars.

On September 6, 2018, the county borrowed \$150,000 from the General Debt Service Fund to provide temporary operating funds to the General Fund.

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

A. Significant Accounting Policies

1. Reporting Entity

The Lake County Emergency Communications District (a discretely presented component unit of Lake County, Tennessee) was created in October 2000 by the legislative body of Lake County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a “municipality” or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are

required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury, Division of Local Government Audit, pursuant to Section 7-86-304, *Tennessee Code Annotated*.

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

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

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

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

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

3. **Assets, Liabilities, and Net Position**

a. **Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original

maturities of three months or less from the date of inception. At June 30, 2018, the district had no cash equivalents.

b. Capital Assets

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

c. Net Position Flow Assumption

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

B. Stewardship, Compliance, and Accountability

The district's Board of Directors approves an appropriations budget annually. The current year budget was prepared in accordance with U.S. generally accepted accounting principles (GAAP) pertaining to enterprise funds.

Section 7-86-120, *Tennessee Code Annotated (TCA)*, requires emergency communications districts in Tennessee to adopt and operate under an annual budget. The Tennessee Emergency Communications Board, established by Section 7-86-302, *TCA*, defines the legal level of control for expenditures to be the line-item level. Therefore, the budgetary comparison schedule presented as supplementary information compares each line item of actual expenses to the final adopted budget.

C. Detailed Notes on Accounts

1. Deposits and Investments

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

fund. As of June 30, 2018, investments consisted of certificates of deposit only.

Custodial credit risk is the risk that in the event of bank failure the district's deposits may not be returned to it. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district's agent in the district's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2018, all bank deposits were fully collateralized or insured.

2. Capital Assets

Capital assets activity during the year was as follows:

	Balance 7-1-17	Increases	Balance 6-30-18
Capital Assets			
Depreciated:			
Buildings and Improvements	\$ 42,710	\$ 0	\$ 42,710
Furniture and Fixtures	10,807	0	10,807
Communications Equipment	477,580	0	477,580
Office Equipment	15,199	0	15,199
Total Capital Assets			
Depreciated:	\$ 546,296	\$ 0	\$ 546,296
Less: Accumulated			
Depreciation For:			
Buildings and Improvements	\$ 4,983	\$ 1,067	\$ 6,050
Furniture and Fixtures	4,776	1,081	5,857
Communications Equipment	333,132	32,674	365,806
Office Equipment	7,841	1,448	9,289
Total Accumulated			
Depreciation	\$ 350,732	\$ 36,270	\$ 387,002
Capital Assets, Net	\$ 195,564	\$ (36,270)	\$ 159,294

D. Other Information

Risk Management

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

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Lake County, Tennessee
Schedule of 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	2017
Total Pension Liability				
Service Cost	\$ 188,457	\$ 187,866	\$ 178,580	\$ 187,842
Interest	534,699	529,301	559,368	570,709
Differences Between Actual and Expected Experience	(521,913)	6,551	(199,556)	360,787
Change of Assumptions	0	0	0	333,687
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(300,035)	(327,042)	(465,836)
Net Change in Total Pension Liability	\$ (43,977)	\$ 423,683	\$ 211,350	\$ 987,189
Total Pension Liability, Beginning	7,063,474	7,019,497	7,443,180	7,654,530
Total Pension Liability, Ending (a)	\$ 7,019,497	\$ 7,443,180	\$ 7,654,530	\$ 8,641,719
Plan Fiduciary Net Position				
Contributions - Employer	\$ 167,023	\$ 161,991	\$ 169,326	\$ 170,573
Contributions - Employee	147,505	137,640	143,803	146,793
Net Investment Income	1,039,693	225,295	199,647	865,706
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(300,035)	(327,042)	(465,836)
Administrative Expense	(4,721)	(5,254)	(8,225)	(10,585)
Other	0	0	0	3,290
Net Change in Plan Fiduciary Net Position	\$ 1,104,280	\$ 219,637	\$ 177,509	\$ 709,941
Plan Fiduciary Net Position, Beginning	6,215,537	7,319,817	7,539,454	7,716,963
Plan Fiduciary Net Position, Ending (b)	\$ 7,319,817	\$ 7,539,454	\$ 7,716,963	\$ 8,426,904
Net Pension Liability (Asset), Ending (a - b)	\$ (300,320)	\$ (96,274)	\$ (62,433)	\$ 214,815
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.28%	101.29%	100.82%	97.51%
Covered Payroll	\$ 2,869,787	\$ 2,788,136	\$ 2,927,063	\$ 2,935,835
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(10.46)%	3.45%	(2.13)%	7.32%

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	2018
Actuarially Determined Contribution	\$ 167,023	\$ 161,991	\$ 169,326	\$ 170,573	\$ 174,021
Less Contributions in Relation to the Actuarially Determined Contribution	(167,023)	(161,991)	(169,326)	(170,573)	(174,021)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 2,869,787	\$ 2,788,136	\$ 2,927,063	\$ 2,935,835	\$ 3,000,362
Contributions as a Percentage of Covered Payroll	5.82%	5.81%	5.78%	5.81%	5.80%

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 9,633	\$ 1,824	\$ 0	\$ 49,191
Less Contributions in Relation to the Contractually Required Contributions	<u>(9,633)</u>	<u>(1,824)</u>	<u>0</u>	<u>(49,191)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 240,819	\$ 45,591	\$ 0	\$ 1,229,775
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	0.00%	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	2018
Contractually Required Contribution	\$ 382,847	\$ 355,362	\$ 345,132	\$ 297,007	\$ 260,017
Less Contributions in Relation to the Contractually Required Contribution	<u>(382,847)</u>	<u>(355,362)</u>	<u>(345,132)</u>	<u>(297,007)</u>	<u>(260,017)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 4,311,341	\$ 3,930,998	\$ 3,817,833	\$ 3,285,478	\$ 2,863,623
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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 *

	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.115904%	0.010361%	0.000000%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (4,663)	\$ (1,079)	\$ (1)
Covered Payroll	\$ 240,819	\$ 45,591	0
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	0.00%

* 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 *

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School Department's Proportion of the Net Pension Liability/Asset	0.109843%	0.105009%	0.105763%	0.092943%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (17,849)	\$ 43,015	\$ 660,960	\$ (30,410)
Covered Payroll	\$ 4,311,341	\$ 3,930,998	\$ 3,817,833	\$ 3,285,478
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.414002)%	1.094254%	17.31%	(.93)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

* 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 Changes in the Total OPEB Liability and Related Ratios - Local Education Plan
Discretely Presented Lake County School Department
For the Fiscal Year Ended June 30 *

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 128,864
Interest	55,891
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(87,346)
Benefit Payments	<u>(60,226)</u>
Net Change in Total OPEB Liability	\$ 37,183
Total OPEB Liability, Beginning	<u>1,815,326</u>
Total OPEB Liability, Ending	<u>\$ 1,852,509</u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 478,594
Employer Proportionate Share of the Total OPEB Liability	1,373,915
Covered Employee Payroll	\$ 5,278,376
Net OPEB Liability as a Percentage of Covered Employee Payroll	26.03%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
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
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Exhibit F-1

Lake County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	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	\$ 1,477	\$ 1,477
Equity in Pooled Cash and Investments	17,928	1,061	39,170	0	58,159
Accounts Receivable	0	0	0	828	828
Due from Other Governments	0	1,955	0	0	1,955
Property Taxes Receivable	0	78,022	0	0	78,022
Allowance for Uncollectible Property Taxes	0	(776)	0	0	(776)
Total Assets	<u>\$ 17,928</u>	<u>\$ 80,262</u>	<u>\$ 39,170</u>	<u>\$ 2,305</u>	<u>\$ 139,665</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 4,504	\$ 0	\$ 0	\$ 4,504
Due to Other Funds	0	901	0	2,305	3,206
Due to State of Tennessee	0	97	0	0	97
Total Liabilities	<u>\$ 0</u>	<u>\$ 5,502</u>	<u>\$ 0</u>	<u>\$ 2,305</u>	<u>\$ 7,807</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 0	\$ 75,105	\$ 0	\$ 0	\$ 75,105
Deferred Delinquent Property Taxes	0	2,057	0	0	2,057
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 77,162</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,162</u>

(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	\$ 17,928	\$ 0	\$ 0	\$ 0	\$ 17,928
Restricted for Public Safety	0	0	39,170	0	39,170
Unassigned	0	(2,402)	0	0	(2,402)
Total Fund Balances	<u>\$ 17,928</u>	<u>\$ (2,402)</u>	<u>\$ 39,170</u>	<u>\$ 0</u>	<u>\$ 54,696</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,928</u>	<u>\$ 80,262</u>	<u>\$ 39,170</u>	<u>\$ 2,305</u>	<u>\$ 139,665</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, 2018

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	
<u>Revenues</u>				
Local Taxes	\$ 1,223	\$ 81,912	\$ 0	\$ 83,135
Fines, Forfeitures, and Penalties	0	0	25,560	25,560
Charges for Current Services	0	1,055	0	1,055
State of Tennessee	0	1,955	0	1,955
Other Governments and Citizens Groups	0	35,224	0	35,224
Total Revenues	<u>\$ 1,223</u>	<u>\$ 120,146</u>	<u>\$ 25,560</u>	<u>\$ 146,929</u>
<u>Expenditures</u>				
Current:				
Public Safety	\$ 0	\$ 0	\$ 7,166	\$ 7,166
Public Health and Welfare	0	98,753	0	98,753
Debt Service:				
Principal on Debt	0	20,571	0	20,571
Interest on Debt	0	2,366	0	2,366
Total Expenditures	<u>\$ 0</u>	<u>\$ 121,690</u>	<u>\$ 7,166</u>	<u>\$ 128,856</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,223</u>	<u>\$ (1,544)</u>	<u>\$ 18,394</u>	<u>\$ 18,073</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	\$ 1,223	\$ 956	\$ 18,394	\$ 20,573
Fund Balance, July 1, 2017	16,705	(3,358)	20,776	34,123
Fund Balance, June 30, 2018	<u>\$ 17,928</u>	<u>\$ (2,402)</u>	<u>\$ 39,170</u>	<u>\$ 54,696</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,223	\$ 4,400	\$ 4,400	\$ (3,177)
Total Revenues	\$ 1,223	\$ 4,400	\$ 4,400	\$ (3,177)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 0	\$ 3,000	\$ 3,000	\$ 3,000
Total Expenditures	\$ 0	\$ 3,000	\$ 3,000	\$ 3,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,223	\$ 1,400	\$ 1,400	\$ (177)
Net Change in Fund Balance	\$ 1,223	\$ 1,400	\$ 1,400	\$ (177)
Fund Balance, July 1, 2017	16,705	9,647	9,647	7,058
Fund Balance, June 30, 2018	\$ 17,928	\$ 11,047	\$ 11,047	\$ 6,881

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 81,912	\$ 78,326	\$ 78,326	\$ 3,586
Charges for Current Services	1,055	0	0	1,055
State of Tennessee	1,955	1,000	1,000	955
Other Governments and Citizens Groups	35,224	35,124	35,124	100
Total Revenues	<u>\$ 120,146</u>	<u>\$ 114,450</u>	<u>\$ 114,450</u>	<u>\$ 5,696</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 70,792	\$ 82,800	\$ 65,220	\$ (5,572)
Other Waste Disposal	27,961	26,500	26,500	(1,461)
<u>Principal on Debt</u>				
General Government	20,571	0	20,555	(16)
<u>Interest on Debt</u>				
General Government	2,366	0	1,804	(562)
Total Expenditures	<u>\$ 121,690</u>	<u>\$ 109,300</u>	<u>\$ 114,079</u>	<u>\$ (7,611)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,544)</u>	<u>\$ 5,150</u>	<u>\$ 371</u>	<u>\$ (1,915)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 2,500	\$ 0	\$ 0	\$ 2,500
Total Other Financing Sources	<u>\$ 2,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,500</u>
Net Change in Fund Balance	\$ 956	\$ 5,150	\$ 371	\$ 585
Fund Balance, July 1, 2017	<u>(3,358)</u>	<u>0</u>	<u>0</u>	<u>(3,358)</u>
Fund Balance, June 30, 2018	<u><u>\$ (2,402)</u></u>	<u><u>\$ 5,150</u></u>	<u><u>\$ 371</u></u>	<u><u>\$ (2,773)</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,560	\$ 23,000	\$ 23,000	\$ 2,560
Total Revenues	\$ 25,560	\$ 23,000	\$ 23,000	\$ 2,560
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 7,166	\$ 23,000	\$ 23,000	\$ 15,834
Total Expenditures	\$ 7,166	\$ 23,000	\$ 23,000	\$ 15,834
Excess (Deficiency) of Revenues Over Expenditures	\$ 18,394	\$ 0	\$ 0	\$ 18,394
Net Change in Fund Balance	\$ 18,394	\$ 0	\$ 0	\$ 18,394
Fund Balance, July 1, 2017	20,776	13,375	13,375	7,401
Fund Balance, June 30, 2018	\$ 39,170	\$ 13,375	\$ 13,375	\$ 25,795

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 430,779	\$ 534,871	\$ 534,871	\$ (104,092)
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 555,779</u>	<u>\$ 659,871</u>	<u>\$ 659,871</u>	<u>\$ (104,092)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 221,000	\$ 165,000	\$ 221,000	\$ 0
Education	224,000	280,000	224,000	0
<u>Interest on Debt</u>				
General Government	139,571	96,110	138,206	(1,365)
Education	168,385	210,481	168,385	0
<u>Other Debt Service</u>				
General Government	5,258	5,677	5,677	419
Total Expenditures	<u>\$ 758,214</u>	<u>\$ 757,268</u>	<u>\$ 757,268</u>	<u>\$ (946)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (202,435)</u>	<u>\$ (97,397)</u>	<u>\$ (97,397)</u>	<u>\$ (105,038)</u>
Net Change in Fund Balance	\$ (202,435)	\$ (97,397)	\$ (97,397)	\$ (105,038)
Fund Balance, July 1, 2017	<u>561,158</u>	<u>608,306</u>	<u>608,306</u>	<u>(47,148)</u>
Fund Balance, June 30, 2018	<u>\$ 358,723</u>	<u>\$ 510,909</u>	<u>\$ 510,909</u>	<u>\$ (152,186)</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, 2018

	Agency Funds					
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 190,984	\$ 0	\$ 190,984
Equity in Pooled Cash and Investments	0	8,376	389	0	1,401	10,166
Due from Other Governments	28,481	0	0	0	0	28,481
Total Assets	<u>\$ 28,481</u>	<u>\$ 8,376</u>	<u>\$ 389</u>	<u>\$ 190,984</u>	<u>\$ 1,401</u>	<u>\$ 229,631</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 28,481	\$ 8,376	\$ 0	\$ 0	\$ 0	\$ 36,857
Due to Litigants, Heirs, and Others	0	0	0	190,984	0	190,984
Due to Joint Venture	0	0	389	0	1,401	1,790
Total Liabilities	<u>\$ 28,481</u>	<u>\$ 8,376</u>	<u>\$ 389</u>	<u>\$ 190,984</u>	<u>\$ 1,401</u>	<u>\$ 229,631</u>

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 170,885	\$ 170,885	\$ 0
Due from Other Governments	31,188	28,481	31,188	28,481
Total Assets	<u>\$ 31,188</u>	<u>\$ 199,366</u>	<u>\$ 202,073</u>	<u>\$ 28,481</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 31,188	\$ 199,366	\$ 202,073	\$ 28,481
Total Liabilities	<u>\$ 31,188</u>	<u>\$ 199,366</u>	<u>\$ 202,073</u>	<u>\$ 28,481</u>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 22,921	\$ 2,917	\$ 17,462	\$ 8,376
Total Assets	<u>\$ 22,921</u>	<u>\$ 2,917</u>	<u>\$ 17,462</u>	<u>\$ 8,376</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 22,921	\$ 2,917	\$ 17,462	\$ 8,376
Total Liabilities	<u>\$ 22,921</u>	<u>\$ 2,917</u>	<u>\$ 17,462</u>	<u>\$ 8,376</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	\$ 193,999	\$ 1,270,094	\$ 1,273,109	\$ 190,984
Total Assets	<u>\$ 193,999</u>	<u>\$ 1,270,094</u>	<u>\$ 1,273,109</u>	<u>\$ 190,984</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 193,999	\$ 1,270,094	\$ 1,273,109	\$ 190,984
Total Liabilities	<u>\$ 193,999</u>	<u>\$ 1,270,094</u>	<u>\$ 1,273,109</u>	<u>\$ 190,984</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Assets	<u>\$ 1,401</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,401</u>
<u>Liabilities</u>				
Due to Joint Venture	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Liabilities	<u>\$ 1,401</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,401</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 193,999	\$ 1,270,094	\$ 1,273,109	\$ 190,984
Equity in Pooled Cash and Investments	24,711	173,802	188,347	10,166
Due from Other Governments	31,188	28,481	31,188	28,481
Total Assets	<u>\$ 249,898</u>	<u>\$ 1,472,377</u>	<u>\$ 1,492,644</u>	<u>\$ 229,631</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 54,109	\$ 202,283	\$ 219,535	\$ 36,857
Due to Litigants, Heirs, and Others	193,999	1,270,094	1,273,109	190,984
Due to Joint Venture	1,790	0	0	1,790
Total Liabilities	<u>\$ 249,898</u>	<u>\$ 1,472,377</u>	<u>\$ 1,492,644</u>	<u>\$ 229,631</u>

Lake County School Department

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

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

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

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

Exhibit I-1

Lake County, Tennessee
Statement of Activities
Discretely Presented Lake County School Department
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 4,942,222	\$ 0	\$ 317,632	\$ (4,624,590)
Support Services	2,936,666	2,320	426,614	(2,507,732)
Operation of Non-instructional Services	1,113,882	76,695	1,035,927	(1,260)
Total Governmental Activities	\$ 8,992,770	\$ 79,015	\$ 1,780,173	\$ (7,133,582)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 932,687
Local Option Sales Taxes				337,402
Wheel Tax				43,854
Business Tax				3,549
Grants and Contributions Not Restricted for Specific Programs				5,781,073
Miscellaneous				17,249
Total General Revenues				\$ 7,115,814
Change in Net Position				\$ (17,768)
Net Position, July 1, 2017				4,679,297
Restatement - See Note I.D.8.				(119,837)
Net Position, June 30, 2018				\$ 4,541,692

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2018

	<u>Major Fund</u> General Purpose School	<u>Nonmajor Fund</u> School Federal Projects	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,426,187	\$ 18,003	\$ 1,444,190
Accounts Receivable	36,838	0	36,838
Due from Other Governments	290,191	25,698	315,889
Property Taxes Receivable	913,128	0	913,128
Allowance for Uncollectible Property Taxes	(9,304)	0	(9,304)
Total Assets	<u>\$ 2,657,040</u>	<u>\$ 43,701</u>	<u>\$ 2,700,741</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 34,408	\$ 9,885	\$ 44,293
Accrued Payroll	2,334	0	2,334
Payroll Deductions Payable	91,110	9,076	100,186
Total Liabilities	<u>\$ 127,852</u>	<u>\$ 18,961</u>	<u>\$ 146,813</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 877,503	\$ 0	\$ 877,503
Deferred Delinquent Property Taxes	25,293	0	25,293
Other Deferred/Unavailable Revenue	26,078	0	26,078
Total Deferred Inflows of Resources	<u>\$ 928,874</u>	<u>\$ 0</u>	<u>\$ 928,874</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 4,740	\$ 4,740
Committed:			
Committed for Education	327,555	0	327,555
Assigned:			
Assigned for Education	0	20,000	20,000
Unassigned	1,272,759	0	1,272,759
Total Fund Balances	<u>\$ 1,600,314</u>	<u>\$ 24,740</u>	<u>\$ 1,625,054</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,657,040</u>	<u>\$ 43,701</u>	<u>\$ 2,700,741</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, 2018

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)		\$ 1,625,054	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 67,365		
Add: buildings and improvements net of accumulated depreciation	3,990,464		
Add: other capital assets net of accumulated depreciation	<u>242,245</u>	4,300,074	
(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 - agent plan	\$ (45,820)		
Less: compensated absences payable	(40,231)		
Less: net OPEB liability	<u>(1,373,915)</u>	(1,459,966)	
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.			
Add: deferred outflows of resources related to pensions	\$ 770,104		
Less: deferred inflows of resources related to pensions	(769,821)		
Add: deferred outflows of resources related to OPEB	53,246		
Less: deferred inflows of resources related to OPEB	<u>(58,781)</u>	(5,252)	
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.			
Add: net pension asset - teacher retirement plan	\$ 1		
Add: net pension asset - teacher legacy pension plan	<u>30,410</u>	30,411	
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>51,371</u>
Net position of governmental activities (Exhibit A)			<u><u>\$ 4,541,692</u></u>

Exhibit I-4

Lake County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lake County School Department
For the Year Ended June 30, 2018

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,314,319	\$ 0	\$ 1,314,319
Licenses and Permits	491	0	491
Charges for Current Services	79,015	0	79,015
Other Local Revenues	17,249	0	17,249
State of Tennessee	6,171,592	0	6,171,592
Federal Government	578,748	807,915	1,386,663
Other Governments and Citizens Groups	2,500	0	2,500
Total Revenues	<u>\$ 8,163,914</u>	<u>\$ 807,915</u>	<u>\$ 8,971,829</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,165,701	\$ 523,649	\$ 4,689,350
Support Services	2,684,658	279,494	2,964,152
Operation of Non-Instructional Services	1,174,459	584	1,175,043
Capital Outlay	100,938	0	100,938
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 8,250,756</u>	<u>\$ 803,727</u>	<u>\$ 9,054,483</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (86,842)</u>	<u>\$ 4,188</u>	<u>\$ (82,654)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 444	\$ 0	\$ 444
Transfers Out	0	(444)	(444)
Total Other Financing Sources (Uses)	<u>\$ 444</u>	<u>\$ (444)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (86,398)	\$ 3,744	\$ (82,654)
Fund Balance, July 1, 2017	1,686,712	20,996	1,707,708
Fund Balance, June 30, 2018	<u>\$ 1,600,314</u>	<u>\$ 24,740</u>	<u>\$ 1,625,054</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, 2018

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)		\$	(82,654)
(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	\$	158,615	
Less: current-year depreciation expense		<u>(389,672)</u>	(231,057)
(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, 2018	\$	51,371	
Less: deferred delinquent property taxes and other deferred June 30, 2017		<u>(48,198)</u>	3,173
(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	\$	(2,279)	
Change in net OPEB liability (net of restatement)		(27,577)	
Change in deferred outflows related to OPEB (net of restatement)		8,579	
Change in deferred inflows related to OPEB		(58,781)	
Change in net pension liability - agent plan		(78,785)	
Change in net pension asset - teacher retirement plan		(1,078)	
Change in net pension asset - teacher legacy pension plan		691,370	
Change in deferred outflows related to pensions		(499,796)	
Change in deferred inflows related to pensions		<u>261,117</u>	<u>292,770</u>
Change in net position of governmental activities (Exhibit B)		\$	<u>(17,768)</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,314,319	\$ 1,229,963	\$ 1,229,963	\$ 84,356
Licenses and Permits	491	300	300	191
Charges for Current Services	79,015	72,700	72,700	6,315
Other Local Revenues	17,249	5,000	5,000	12,249
State of Tennessee	6,171,592	6,092,841	6,159,154	12,438
Federal Government	578,748	415,806	566,747	12,001
Other Governments and Citizens Groups	2,500	0	0	2,500
Total Revenues	\$ 8,163,914	\$ 7,816,610	\$ 8,033,864	\$ 130,050
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,491,314	\$ 3,481,404	\$ 3,540,572	\$ 49,258
Special Education Program	459,872	461,475	461,476	1,604
Career and Technical Education Program	214,515	196,083	215,799	1,284
<u>Support Services</u>				
Attendance	40,822	9,572	40,846	24
Health Services	94,907	133,995	94,998	91
Other Student Support	146,549	148,055	148,105	1,556
Regular Instruction Program	191,679	201,926	215,997	24,318
Special Education Program	110,729	110,500	110,499	(230)
Technology	145,137	149,882	149,882	4,745
Other Programs	22,656	0	22,656	0
Board of Education	187,474	146,850	187,885	411
Director of Schools	164,685	161,990	163,901	(784)
Office of the Principal	524,019	530,650	530,651	6,632
Fiscal Services	83,012	74,048	83,002	(10)
Operation of Plant	617,303	627,528	627,527	10,224
Maintenance of Plant	188,196	137,489	191,368	3,172
Transportation	167,490	146,691	154,690	(12,800)
<u>Operation of Non-Instructional Services</u>				
Food Service	716,544	459,285	700,062	(16,482)
Community Services	149,576	151,525	150,000	424
Early Childhood Education	308,339	312,211	312,212	3,873
<u>Capital Outlay</u>				
Regular Capital Outlay	100,938	175,000	134,738	33,800
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 8,250,756	\$ 7,816,159	\$ 8,361,866	\$ 111,110
Excess (Deficiency) of Revenues Over Expenditures	\$ (86,842)	\$ 451	\$ (328,002)	\$ 241,160
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 444	\$ 0	\$ 0	\$ 444
Total Other Financing Sources	\$ 444	\$ 0	\$ 0	\$ 444
Net Change in Fund Balance	\$ (86,398)	\$ 451	\$ (328,002)	\$ 241,604
Fund Balance, July 1, 2017	1,686,712	1,814,900	1,814,900	(128,188)
Fund Balance, June 30, 2018	\$ 1,600,314	\$ 1,815,351	\$ 1,486,898	\$ 113,416

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 807,915	\$ 891,447	\$ 911,451	\$ (103,536)
Total Revenues	\$ 807,915	\$ 891,447	\$ 911,451	\$ (103,536)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 257,079	\$ 235,664	\$ 262,077	\$ 4,998
Special Education Program	254,700	296,656	297,474	42,774
Career and Technical Education Program	11,870	9,500	11,870	0
<u>Support Services</u>				
Other Student Support	17,945	21,754	19,658	1,713
Regular Instruction Program	249,079	281,479	273,467	24,388
Special Education Program	10,377	41,991	42,756	32,379
Career and Technical Education Program	2,023	3,603	2,023	0
Transportation	70	0	686	616
<u>Operation of Non-Instructional Services</u>				
Food Service	584	0	640	56
Total Expenditures	\$ 803,727	\$ 890,647	\$ 910,651	\$ 106,924
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,188	\$ 800	\$ 800	\$ 3,388
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (444)	\$ (800)	\$ (800)	\$ 356
Total Other Financing Sources	\$ (444)	\$ (800)	\$ (800)	\$ 356
Net Change in Fund Balance	\$ 3,744	\$ 0	\$ 0	\$ 3,744
Fund Balance, July 1, 2017	20,996	20,996	20,996	0
Fund Balance, June 30, 2018	\$ 24,740	\$ 20,996	\$ 20,996	\$ 3,744

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2018

Other
Trust
Fund

Private
Purpose
Trust

ASSETS

Equity in Pooled Cash and Investments \$ 334,030

NET POSITION

Held in Trust for College Scholarships for Lake County Students \$ 334,030

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, 2018

	<u>Other Trust Fund Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 1,421
Total Additions	<u>\$ 1,421</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	<u>\$ 675</u>
Total Deductions	<u>\$ 675</u>
Change in Net Position	\$ 746
Net Position, July 1, 2017	<u>333,284</u>
Net Position, June 30, 2018	<u><u>\$ 334,030</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Lake County, Tennessee
Schedule of Changes in Long-term Capital Lease and Bonds
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Paid and/or Matured During Period	Outstanding 6-30-18
<u>CAPITAL LEASE PAYABLE</u>							
<u>Payable through Solid Waste/Sanitation Fund</u>							
Landscape Loader	\$ 78,265	7 %	4-15-15	3-6-19	\$ 36,941	\$ 20,571	\$ 16,370
Total Capital Lease Payable					\$ 36,941	\$ 20,571	\$ 16,370
<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	\$ 1,010,000	\$ 60,000	\$ 950,000
General Obligation Refunding Bonds, Series 2012B	7,630,000	.4 to 4	4-12-12	6-1-37	6,510,000	280,000	6,230,000
General Obligation Refunding Bonds, Series 2016	2,595,000	.75 to 3.5	3-24-16	6-1-36	2,445,000	105,000	2,340,000
Total Bonds Payable					\$ 9,965,000	\$ 445,000	\$ 9,520,000

Exhibit J-2

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

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2019	\$ 16,370	\$ 384	\$ 16,754
Total	\$ 16,370	\$ 384	\$ 16,754

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 9,520,000	\$ 3,178,095	\$ 12,698,095

Exhibit J-3

Lake County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Lake County School Department
For the Year Ended June 30, 2018

<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	\$ 444
Total Transfers Discretely Presented Lake County School Department			<u>\$ 444</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, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 74,574 (1)	\$ 100,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, <i>TCA</i>	81,545 (2)	100,000	"
Director of Schools	State Board of Education and Lake County Board of Education	98,921 (3)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	63,182	364,151	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	63,182	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	63,182	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i>	63,182	50,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	63,182	50,000	RLI Insurance Company
Register of Deeds	Section 8-24-102, <i>TCA</i>	63,182	50,000	Traveler's Casualty and Surety Company of America
Sheriff	Section 8-24-102, <i>TCA</i>	69,500 (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 County Commission Chairman compensation of \$1,600.

(2) Includes additional compensation of \$750.

(3) Includes a chief executive officer training supplement of \$1,000, does not include a \$4,800 vehicle allowance.

(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, 2018

	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	\$ 1,398,057	\$ 0	\$ 72,831	\$ 0	\$ 26,910
Trustee's Collections - Prior Year	25,955	0	1,203	0	736
Trustee's Collections - Bankruptcy	975	0	49	0	21
Circuit Clerk/Clerk and Master Collections - Prior Years	4,123	0	207	0	76
Interest and Penalty	9,783	0	866	0	271
Payments in-Lieu-of Taxes - Other	14,511	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	62,381	0	0	0	0
Hotel/Motel Tax	28,418	0	0	0	0
Wheel Tax	149,032	0	6,756	0	0
Litigation Tax - General	9,975	0	0	0	0
Litigation Tax - Special Purpose	2,921	1,223	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courthouse Security	13,971	0	0	0	0
Business Tax	30,566	0	0	0	0
Mixed Drink Tax	2,221	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	3,450	0	0	0	0
Wholesale Beer Tax	8,419	0	0	0	0
Total Local Taxes	\$ 1,764,758	\$ 1,223	\$ 81,912	\$ 0	\$ 28,014
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 120	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	9,411	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	\$ 1,120	\$ 0	\$ 0	\$ 0	\$ 0
Other Permits	2,244	0	0	0	0
Total Licenses and Permits	<u>\$ 12,895</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 162	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	5,841	0	0	0	0
Drug Control Fines	10,077	0	0	0	0
Drug Court Fees	1,151	0	0	0	0
Jail Fees	1,546	0	0	0	0
Data Entry Fee - Circuit Court	814	0	0	0	0
Courtroom Security Fee	21	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	48	0	0	0	0
<u>General Sessions Court</u>					
Fines	1,920	0	0	0	0
Officers Costs	11,652	0	0	0	0
Game and Fish Fines	56	0	0	0	0
Drug Control Fines	5,369	0	0	613	0
Drug Court Fees	4,363	0	0	0	0
Jail Fees	11,429	0	0	0	0
DUI Treatment Fines	960	0	0	0	0
Data Entry Fee - General Sessions Court	1,997	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</u>					
Fines	\$ 256	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	346	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	546	0	0	0	0
Data Entry Fee - Chancery Court	546	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	1,590	0	0	24,852	0
Other Fines, Forfeitures, and Penalties	1,900	0	0	95	0
Total Fines, Forfeitures, and Penalties	\$ 62,590	\$ 0	\$ 0	\$ 25,560	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - Waste Tire Disposal	\$ 0	\$ 0	\$ 1,055	\$ 0	\$ 0
Patient Charges	813,339	0	0	0	0
<u>Fees</u>					
Copy Fees	417	0	0	0	0
Archives and Records Management Fee	2,700	0	0	0	0
Telephone Commissions	17,923	0	0	0	0
Data Processing Fee - Register	1,292	0	0	0	0
Data Processing Fee - Sheriff	676	0	0	0	0
Sexual Offender Registration Fee - Sheriff	400	0	0	0	0
Data Processing Fee - County Clerk	27	0	0	0	0
Vehicle Insurance Coverage and Reinstatement Fees	45	0	0	0	0
Total Charges for Current Services	\$ 836,819	\$ 0	\$ 1,055	\$ 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>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 18,002	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	74,400	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	96
Commissary Sales	2,610	0	0	0	0
Miscellaneous Refunds	9,973	0	0	0	2,125
<u>Nonrecurring Items</u>					
Sale of Property	525	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	7,054	0	0	0	0
Total Other Local Revenues	<u>\$ 112,564</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,221</u>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 50,387	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	46,899	0	0	0	0
General Sessions Court Clerk	30,196	0	0	0	0
Clerk and Master	16,306	0	0	0	0
Juvenile Court Clerk	8,061	0	0	0	0
Register	14,559	0	0	0	0
Sheriff	5,558	0	0	0	0
Trustee	102,676	0	0	0	0
Total Fees Received From County Officials	<u>\$ 274,642</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	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	36,713	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	6,689	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	0	0	1,955	0	0
Beer Tax	17,839	0	0	0	0
Vehicle Certificate of Title Fees	7,467	0	0	0	0
Alcoholic Beverage Tax	21,259	0	0	0	0
State Revenue Sharing - Telecommunications	8,097	0	0	0	0
Contracted Prisoner Boarding	316,830	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,579,757
Petroleum Special Tax	0	0	0	0	5,651
Registrar's Salary Supplement	15,164	0	0	0	0
Other State Grants	24,451	0	0	0	0
Other State Revenues	379	0	0	0	0
Total State of Tennessee	\$ 463,888	\$ 0	\$ 1,955	\$ 0	\$ 1,585,408
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 471,477	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	15,823	0	0	0	0
Disaster Relief	63,152	0	0	0	0
Other Federal through State	4,915	0	0	0	0

(Continued)

Exhibit J-5

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

	<u>Special Revenue Funds</u>				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	\$ 1,400	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	<u>\$ 556,767</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	\$ 9,223
Contributions	0	0	35,224	0	0
Contracted Services	91,334	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 91,334</u>	<u>\$ 0</u>	<u>\$ 35,224</u>	<u>\$ 0</u>	<u>\$ 9,223</u>
Total	<u>\$ 4,176,257</u>	<u>\$ 1,223</u>	<u>\$ 120,146</u>	<u>\$ 25,560</u>	<u>\$ 1,624,866</u>

(Continued)

Exhibit J-5

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

	<u>Debt Service</u>		
	Fund		
	General	Debt	Total
	Service	Service	
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 43,504	\$	1,541,302
Trustee's Collections - Prior Year	1,151		29,045
Trustee's Collections - Bankruptcy	48		1,093
Circuit Clerk/Clerk and Master Collections - Prior Years	129		4,535
Interest and Penalty	610		11,530
Payments in-Lieu-of Taxes - Other	0		14,511
<u>County Local Option Taxes</u>			
Local Option Sales Tax	310,396		372,777
Hotel/Motel Tax	0		28,418
Wheel Tax	68,476		224,264
Litigation Tax - General	0		9,975
Litigation Tax - Special Purpose	0		4,144
Litigation Tax - Jail, Workhouse, or Courthouse	4,690		4,690
Litigation Tax - Courthouse Security	0		13,971
Business Tax	1,775		32,341
Mixed Drink Tax	0		2,221
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0		3,450
Wholesale Beer Tax	0		8,419
Total Local Taxes	<u>\$ 430,779</u>	<u>\$</u>	<u>2,306,686</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Animal Registration	\$ 0	\$	120
Cable TV Franchise	0		9,411

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		
	General	Debt	Total
	Service	Service	
<u>Licenses and Permits (Cont.)</u>			
<u>Permits</u>			
Building Permits	\$	0	\$ 1,120
Other Permits		0	2,244
Total Licenses and Permits	<u>\$</u>	<u>0</u>	<u>\$ 12,895</u>
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$	0	\$ 162
Officers Costs		0	5,841
Drug Control Fines		0	10,077
Drug Court Fees		0	1,151
Jail Fees		0	1,546
Data Entry Fee - Circuit Court		0	814
Courtroom Security Fee		0	21
<u>Criminal Court</u>			
DUI Treatment Fines		0	48
<u>General Sessions Court</u>			
Fines		0	1,920
Officers Costs		0	11,652
Game and Fish Fines		0	56
Drug Control Fines		0	5,982
Drug Court Fees		0	4,363
Jail Fees		0	11,429
DUI Treatment Fines		0	960
Data Entry Fee - General Sessions Court		0	1,997

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		
	General	Debt	Total
	Service	Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court</u>			
Fines	\$ 0	\$ 0	256
Officers Costs		0	346
<u>Chancery Court</u>			
Officers Costs		0	546
Data Entry Fee - Chancery Court		0	546
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property		0	26,442
Other Fines, Forfeitures, and Penalties		0	1,995
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	88,150
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Surcharge - Waste Tire Disposal	\$ 0	\$ 0	1,055
Patient Charges		0	813,339
<u>Fees</u>			
Copy Fees		0	417
Archives and Records Management Fee		0	2,700
Telephone Commissions		0	17,923
Data Processing Fee - Register		0	1,292
Data Processing Fee - Sheriff		0	676
Sexual Offender Registration Fee - Sheriff		0	400
Data Processing Fee - County Clerk		0	27
Vehicle Insurance Coverage and Reinstatement Fees		0	45
Total Charges for Current Services	\$ 0	\$ 0	837,874

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		General Debt Service	Total
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$	0	\$	18,002
Lease/Rentals		0		74,400
Sale of Materials and Supplies		0		96
Commissary Sales		0		2,610
Miscellaneous Refunds		0		12,098
<u>Nonrecurring Items</u>				
Sale of Property			0	525
<u>Other Local Revenues</u>				
Other Local Revenues			0	7,054
Total Other Local Revenues	\$	0	\$	114,785
<u>Fees Received From County Officials</u>				
<u>Fees In-Lieu-of Salary</u>				
County Clerk	\$	0	\$	50,387
Circuit Court Clerk		0		46,899
General Sessions Court Clerk		0		30,196
Clerk and Master		0		16,306
Juvenile Court Clerk		0		8,061
Register		0		14,559
Sheriff		0		5,558
Trustee		0		102,676
Total Fees Received From County Officials	\$	0	\$	274,642

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		Total
	General Debt Service		
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0	\$	9,000
Aging Programs	0		36,713
<u>Public Works Grants</u>			
Litter Program	0		6,689
<u>Other State Revenues</u>			
Income Tax	0		1,955
Beer Tax	0		17,839
Vehicle Certificate of Title Fees	0		7,467
Alcoholic Beverage Tax	0		21,259
State Revenue Sharing - Telecommunications	0		8,097
Contracted Prisoner Boarding	0		316,830
Gasoline and Motor Fuel Tax	0		1,579,757
Petroleum Special Tax	0		5,651
Registrar's Salary Supplement	0		15,164
Other State Grants	0		24,451
Other State Revenues	0		379
Total State of Tennessee	<u>\$ 0</u>	<u>\$</u>	<u>2,051,251</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$ 0	\$	471,477
Civil Defense Reimbursement	0		15,823
Disaster Relief	0		63,152
Other Federal through State	0		4,915

(Continued)

Exhibit J-5

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

	<u>Debt Service Fund</u>		<u>General Debt Service</u>	<u>Total</u>
<hr/>				
<u>Federal Government (Cont.)</u>				
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	\$	0	\$	1,400
Total Federal Government	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>556,767</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Paving and Maintenance	\$	0	\$	9,223
Contributions		125,000		160,224
Contracted Services		0		91,334
Total Other Governments and Citizens Groups	<u>\$</u>	<u>125,000</u>	<u>\$</u>	<u>260,781</u>
Total	<u>\$</u>	<u>555,779</u>	<u>\$</u>	<u>6,503,831</u>

Exhibit J-6

Lake County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lake County School Department
For the Year Ended June 30, 2018

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 894,347	\$ 0	\$ 894,347
Trustee's Collections - Prior Year	24,426	0	24,426
Trustee's Collections - Bankruptcy	282	0	282
Circuit Clerk/Clerk and Master Collections - Prior Years	2,662	0	2,662
Interest and Penalty	6,804	0	6,804
<u>County Local Option Taxes</u>			
Local Option Sales Tax	338,395	0	338,395
Wheel Tax	43,854	0	43,854
Business Tax	3,549	0	3,549
Total Local Taxes	<u>\$ 1,314,319</u>	<u>\$ 0</u>	<u>\$ 1,314,319</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 390	\$ 0	\$ 390
<u>Permits</u>			
Other Permits	101	0	101
Total Licenses and Permits	<u>\$ 491</u>	<u>\$ 0</u>	<u>\$ 491</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Transportation - Other State Systems	\$ 2,320	\$ 0	\$ 2,320
Receipts from Individual Schools	76,695	0	76,695
Total Charges for Current Services	<u>\$ 79,015</u>	<u>\$ 0</u>	<u>\$ 79,015</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
E-Rate Funding	\$ 1,071	\$ 0	\$ 1,071
Miscellaneous Refunds	15,313	0	15,313
Expenditure Credits	665	0	665
<u>Nonrecurring Items</u>			
Sale of Equipment	200	0	200
Total Other Local Revenues	<u>\$ 17,249</u>	<u>\$ 0</u>	<u>\$ 17,249</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-behalf Contributions for OPEB	\$ 22,656	\$ 0	\$ 22,656
<u>State Education Funds</u>			
Basic Education Program	5,116,000	0	5,116,000
Early Childhood Education	311,540	0	311,540

(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	\$ 32,124	\$ 0	\$ 32,124
Driver Education	1,838	0	1,838
Other State Education Funds	304,413	0	304,413
Coordinated School Health	96,026	0	96,026
Family Resource Centers	26,558	0	26,558
Career Ladder Program	26,339	0	26,339
Vocational Equipment	8,741	0	8,741
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	220,157	0	220,157
Safe Schools	5,200	0	5,200
Total State of Tennessee	<u>\$ 6,171,592</u>	<u>\$ 0</u>	<u>\$ 6,171,592</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 351,860	\$ 0	\$ 351,860
USDA - Commodities	44,533	0	44,533
Breakfast	163,526	0	163,526
USDA - Other	8,702	0	8,702
Vocational Education - Basic Grants to States	0	20,410	20,410
Title I Grants to Local Education Agencies	0	441,925	441,925
Special Education - Grants to States	0	259,308	259,308
Special Education Preschool Grants	0	8,311	8,311
Rural Education	0	11,629	11,629
Eisenhower Professional Development State Grants	0	36,903	36,903
Other Federal through State	10,127	29,429	39,556
Total Federal Government	<u>\$ 578,748</u>	<u>\$ 807,915</u>	<u>\$ 1,386,663</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 2,500	\$ 0	\$ 2,500
Total Other Governments and Citizens Groups	<u>\$ 2,500</u>	<u>\$ 0</u>	<u>\$ 2,500</u>
Total	<u>\$ 8,163,914</u>	<u>\$ 807,915</u>	<u>\$ 8,971,829</u>

Exhibit J-7

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2018

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	24,600	
Social Security		1,760	
Pensions		465	
Unemployment Compensation		102	
Total County Commission			\$ 26,927

County Mayor/Executive

County Official/Administrative Officer	\$	72,974	
Accountants/Bookkeepers		23,811	
Secretary(ies)		20,563	
Longevity Pay		150	
Other Per Diem and Fees		518	
Social Security		8,881	
Pensions		2,399	
Unemployment Compensation		405	
Communication		2,090	
Data Processing Services		11,867	
Postal Charges		1,098	
Printing, Stationery, and Forms		2,509	
Travel		4,022	
Electricity		574	
Natural Gas		344	
Office Supplies		1,937	
Water and Sewer		98	
Building and Contents Insurance		1,702	
Workers' Compensation Insurance		200	
Other Charges		2,007	
Total County Mayor/Executive			158,149

County Attorney

County Official/Administrative Officer	\$	5,400	
Legal Services		12,937	
Total County Attorney			18,337

Election Commission

County Official/Administrative Officer	\$	63,182	
Other Salaries and Wages		650	
Election Commission		1,575	
Social Security		4,667	
Pensions		3,515	
Communication		2,626	
Data Processing Services		6,592	
Legal Notices, Recording, and Court Costs		494	
Maintenance and Repair Services - Equipment		374	
Postal Charges		751	
Printing, Stationery, and Forms		6,275	
Travel		1,442	

(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.)

Natural Gas	\$	1,223	
Office Supplies		1,062	
Building and Contents Insurance		5,252	
Workers' Compensation Insurance		250	
Total Election Commission			\$ 99,930

Register of Deeds

County Official/Administrative Officer	\$	63,182	
Deputy(ies)		7,759	
Longevity Pay		500	
Social Security		5,304	
Pensions		3,540	
Unemployment Compensation		62	
Communication		1,068	
Data Processing Services		940	
Postal Charges		364	
Printing, Stationery, and Forms		482	
Travel		80	
Electricity		401	
Natural Gas		241	
Office Supplies		1,874	
Water and Sewer		68	
Building and Contents Insurance		1,144	
Workers' Compensation Insurance		60	
Total Register of Deeds			87,069

Development

Board and Committee Members Fees	\$	2,300	
Other Contracted Services		8,845	
Total Development			11,145

County Buildings

Maintenance Agreements	\$	310	
Maintenance and Repair Services - Buildings		13,370	
Maintenance and Repair Services - Equipment		6,359	
Pest Control		2,820	
Custodial Supplies		5,150	
Electricity		9,268	
Natural Gas		5,757	
Water and Sewer		1,119	
Building and Contents Insurance		110	
Workers' Compensation Insurance		16,450	
Total County Buildings			60,713

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	63,182	
--	----	--------	--

(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.)

Secretary(ies)	\$	20,490	
Longevity Pay		50	
Board and Committee Members Fees		590	
Social Security		6,350	
Pensions		4,814	
Unemployment Compensation		119	
Communication		1,131	
Postal Charges		484	
Printing, Stationery, and Forms		273	
Travel		1,097	
Other Contracted Services		6,503	
Electricity		289	
Natural Gas		173	
Office Supplies		564	
Water and Sewer		49	
Building and Contents Insurance		1,179	
Workers' Compensation Insurance		180	
Total Property Assessor's Office			\$ 107,517

County Trustee's Office

County Official/Administrative Officer	\$	63,182	
Deputy(ies)		20,490	
Longevity Pay		100	
In-service Training		125	
Social Security		5,764	
Pensions		4,369	
Unemployment Compensation		119	
Communication		1,444	
Data Processing Services		7,500	
Dues and Memberships		737	
Legal Notices, Recording, and Court Costs		212	
Postal Charges		2,377	
Printing, Stationery, and Forms		462	
Rentals		2,292	
Travel		997	
Electricity		307	
Natural Gas		184	
Office Supplies		339	
Water and Sewer		108	
Building and Contents Insurance		1,640	
Workers' Compensation Insurance		130	
Total County Trustee's Office			112,878

County Clerk's Office

County Official/Administrative Officer	\$	63,182
Deputy(ies)		40,980
Longevity Pay		100

(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.)

Social Security	\$	7,846	
Pensions		5,950	
Unemployment Compensation		238	
Communication		3,207	
Data Processing Services		7,621	
Postal Charges		1,165	
Printing, Stationery, and Forms		165	
Travel		61	
Electricity		2,031	
Natural Gas		859	
Office Supplies		1,671	
Water and Sewer		690	
Building and Contents Insurance		1,640	
Workers' Compensation Insurance		200	
Total County Clerk's Office			\$ 137,606

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,182	
Deputy(ies)		59,733	
Longevity Pay		2,100	
Other Salaries and Wages		1,100	
Jury and Witness Expense		4,170	
Social Security		9,602	
Pensions		7,284	
Unemployment Compensation		238	
Communication		2,289	
Data Processing Services		13,304	
Postal Charges		1,646	
Printing, Stationery, and Forms		145	
Electricity		3,261	
Natural Gas		1,957	
Office Supplies		4,604	
Water and Sewer		556	
Building and Contents Insurance		10,972	
Workers' Compensation Insurance		1,850	
Other Charges		809	
Total Circuit Court			188,802

General Sessions Court

Judge(s)	\$	94,200	
Other Salaries and Wages		1,600	
Social Security		7,005	
Pensions		5,344	
Unemployment Compensation		119	
Communication		1,034	
Postal Charges		248	

(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.)

Travel	\$	1,646	
Other Contracted Services		82	
Electricity		201	
Natural Gas		121	
Office Supplies		1,309	
Water and Sewer		34	
Building and Contents Insurance		653	
Workers' Compensation Insurance		150	
Total General Sessions Court			\$ 113,746

Chancery Court

County Official/Administrative Officer	\$	63,182	
Deputy(ies)		7,584	
Social Security		5,414	
Pensions		3,662	
Unemployment Compensation		56	
Communication		1,377	
Data Processing Services		5,428	
Postal Charges		650	
Printing, Stationery, and Forms		341	
Electricity		366	
Natural Gas		220	
Office Supplies		654	
Water and Sewer		62	
Building and Contents Insurance		1,179	
Workers' Compensation Insurance		225	
Total Chancery Court			90,400

Juvenile Court

County Official/Administrative Officer	\$	30,483	
Longevity Pay		100	
Other Salaries and Wages		450	
Social Security		2,368	
Pensions		1,799	
Unemployment Compensation		119	
Communication		1,417	
Postal Charges		290	
Travel		767	
Other Contracted Services		21,610	
Electricity		254	
Natural Gas		153	
Office Supplies		544	
Water and Sewer		43	
Building and Contents Insurance		884	
Workers' Compensation Insurance		60	
Total Juvenile Court			61,341

(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	\$ 4,363	
Total Other Administration of Justice		\$ 4,363

Courtroom Security

Social Security	\$ 1,825	
Unemployment Compensation	236	
Other Contracted Services	26,323	
Other Supplies and Materials	28,625	
Total Courtroom Security		57,009

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 69,500	
Deputy(ies)	221,300	
Salary Supplements	4,200	
Secretary(ies)	17,871	
Longevity Pay	2,000	
In-service Training	11,379	
Social Security	23,821	
Pensions	16,589	
Unemployment Compensation	1,224	
Communication	20,564	
Contracts with Government Agencies	670	
Data Processing Services	4,942	
Maintenance and Repair Services - Vehicles	13,957	
Postal Charges	1,001	
Printing, Stationery, and Forms	4,917	
Travel	5,299	
Electricity	4,097	
Gasoline	26,280	
Natural Gas	11,979	
Office Supplies	3,756	
Uniforms	7,146	
Water and Sewer	3,227	
Other Supplies and Materials	2,934	
Building and Contents Insurance	52,105	
Workers' Compensation Insurance	11,143	
Land	500	
Motor Vehicles	41,363	
Other Capital Outlay	2,000	
Total Sheriff's Department		585,764

Jail

Deputy(ies)	\$ 4,628	
Medical Personnel	8,920	
Salary Supplements	600	
Dispatchers/Radio Operators	273,264	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Secretary(ies)	\$	32,045	
Part-time Personnel		44,199	
Longevity Pay		2,400	
In-service Training		1,123	
Social Security		26,893	
Pensions		17,452	
Unemployment Compensation		2,225	
Maintenance and Repair Services - Buildings		4,755	
Maintenance and Repair Services - Equipment		17,872	
Medical and Dental Services		54,881	
Custodial Supplies		14,209	
Electricity		26,229	
Food Supplies		96,678	
Natural Gas		1,961	
Uniforms		508	
Water and Sewer		10,080	
Other Supplies and Materials		2,232	
Building and Contents Insurance		25,085	
Workers' Compensation Insurance		7,860	
Other Capital Outlay		22	
Total Jail			\$ 676,121

Civil Defense

Supervisor/Director	\$	10,500	
Social Security		803	
Pensions		610	
Unemployment Compensation		24	
Other Charges		3,232	
Total Civil Defense			15,169

Public Health and Welfare

Local Health Center

Communication	\$	1,537	
Maintenance and Repair Services - Buildings		3,407	
Other Contracted Services		6,585	
Custodial Supplies		706	
Electricity		5,347	
Natural Gas		1,878	
Office Supplies		606	
Water and Sewer		1,859	
Building and Contents Insurance		3,180	
Workers' Compensation Insurance		700	
Other Charges		4,630	
Other Capital Outlay		3,498	
Total Local Health Center			33,933

(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

Supervisor/Director	\$	34,229	
Deputy(ies)		304	
Medical Personnel		459,592	
Secretary(ies)		23,490	
Longevity Pay		1,700	
Social Security		39,008	
Pensions		11,995	
Unemployment Compensation		2,880	
Ambulance Services		280	
Communication		7,047	
Licenses		1,500	
Maintenance and Repair Services - Equipment		436	
Maintenance and Repair Services - Vehicles		25,607	
Postal Charges		1,143	
Rentals		1,589	
Travel		1,194	
Other Contracted Services		33,145	
Drugs and Medical Supplies		16,918	
Electricity		5,908	
Gasoline		29,955	
Natural Gas		1,946	
Office Supplies		3,407	
Uniforms		722	
Water and Sewer		928	
Other Supplies and Materials		1,729	
Building and Contents Insurance		10,348	
Judgments		181	
Workers' Compensation Insurance		9,552	
Other Capital Outlay		62,909	
Total Ambulance/Emergency Medical Services			\$ 789,642

Sanitation Management

Deputy(ies)	\$	13,503	
Education Media Personnel		7,998	
Social Security		1,033	
Unemployment Compensation		230	
Maintenance and Repair Services - Vehicles		2,631	
Gasoline		1,460	
Other Charges		859	
Total Sanitation Management			27,714

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	90	
Supervisor/Director		20,487	
Social Security		4,177	
Pensions		1,196	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Unemployment Compensation	\$	506	
Communication		5,807	
Contributions		1,365	
Maintenance and Repair Services - Buildings		1,092	
Travel		1,236	
Other Contracted Services		43,561	
Electricity		4,960	
Natural Gas		713	
Office Supplies		449	
Water and Sewer		2,673	
Other Supplies and Materials		453	
Total Senior Citizens Assistance			\$ 88,765

Libraries

Contributions	\$	21,250	
Total Libraries			21,250

Other Social, Cultural, and Recreational

Other Charges	\$	10,349	
Total Other Social, Cultural, and Recreational			10,349

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	15,143	
Secretary(ies)		6,419	
Social Security		680	
Pensions		2,271	
Communication		1,830	
Office Supplies		543	
Other Supplies and Materials		48	
Total Agricultural Extension Service			26,934

Other Operations

Tourism

Contributions	\$	29,977	
Total Tourism			29,977

Other Economic and Community Development

Matching Share	\$	390,927	
Total Other Economic and Community Development			390,927

Other Charges

Trustee's Commission	\$	43,607	
Total Other Charges			43,607

Contributions to Other Agencies

Contributions	\$	4,653	
Total Contributions to Other Agencies			4,653

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Employee and Dependent Insurance	\$ 55,439	
Total Employee Benefits		\$ 55,439

Total General Fund \$ 4,136,176

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$ 34,213	
Social Security	2,558	
Employee and Dependent Insurance	4,229	
Unemployment Compensation	264	
Bank Charges	899	
Maintenance and Repair Services - Buildings	350	
Maintenance and Repair Services - Equipment	3,748	
Diesel Fuel	4,913	
Electricity	13,303	
Trustee's Commission	1,514	
Solid Waste Equipment	4,801	
Total Waste Incinerator		\$ 70,792

Other Waste Disposal

Contracts with Government Agencies	\$ 27,961	
Total Other Waste Disposal		27,961

Principal on Debt

General Government

Principal on Capital Leases	\$ 20,571	
Total General Government		20,571

Interest on Debt

General Government

Interest on Capital Leases	\$ 2,366	
Total General Government		2,366

Total Solid Waste/Sanitation Fund 121,690

Drug Control Fund

Public Safety

Drug Enforcement

Dues and Memberships	\$ 160	
Legal Notices, Recording, and Court Costs	336	
Maintenance and Repair Services - Vehicles	1,644	
Animal Food and Supplies	1,504	
Law Enforcement Supplies	1,526	
Trustee's Commission	274	
In Service/Staff Development	1,722	
Total Drug Enforcement		\$ 7,166

Total Drug Control Fund 7,166

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	81,545	
Accountants/Bookkeepers		49,713	
Secretary(ies)		44,556	
Board and Committee Members Fees		13,800	
Advertising		1,053	
Communication		6,303	
Data Processing Services		7,843	
Dues and Memberships		2,829	
Maintenance and Repair Services - Buildings		215	
Postal Charges		200	
Printing, Stationery, and Forms		277	
Travel		1,266	
Drugs and Medical Supplies		115	
Electricity		5,280	
Natural Gas		5,061	
Office Supplies		707	
Water and Sewer		1,892	
Total Administration			\$ 222,655

Highway and Bridge Maintenance

Equipment Operators	\$	301,332	
Engineering Services		17,025	
Other Contracted Services		500	
Asphalt - Hot Mix		12,564	
Asphalt - Liquid		64,296	
Crushed Stone		64,538	
Pipe - Metal		1,278	
Road Signs		78	
Wood Products		206	
Chemicals		4,881	
Total Highway and Bridge Maintenance			466,698

Operation and Maintenance of Equipment

Foremen	\$	50,227	
Mechanic(s)		97,317	
Laundry Service		4,041	
Custodial Supplies		445	
Diesel Fuel		34,250	
Equipment and Machinery Parts		51,518	
Garage Supplies		8,755	
Gasoline		7,843	
Lubricants		2,305	
Propane Gas		1,385	
Tires and Tubes		3,677	
Chemicals		304	
Total Operation and Maintenance of Equipment			262,067

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Building and Contents Insurance	\$	5,250	
Liability Insurance		16,901	
Trustee's Commission		16,083	
Vehicle and Equipment Insurance		23,734	
Workers' Compensation Insurance		50,505	
Other Charges		<u>8,230</u>	
Total Other Charges	\$		120,703

Employee Benefits

Social Security	\$	48,403	
Pensions		34,344	
Employee and Dependent Insurance		14,995	
Unemployment Compensation		<u>345</u>	
Total Employee Benefits			98,087

Capital Outlay

Communication Equipment	\$	789	
Highway Equipment		<u>220,509</u>	
Total Capital Outlay			<u>221,298</u>

Total Highway/Public Works Fund \$ 1,391,508

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	<u>221,000</u>	
Total General Government	\$		221,000

Education

Principal on Bonds	\$	<u>224,000</u>	
Total Education			224,000

Interest on Debt

General Government

Interest on Bonds	\$	<u>139,571</u>	
Total General Government			139,571

Education

Interest on Bonds	\$	<u>168,385</u>	
Total Education			168,385

Other Debt Service

General Government

Trustee's Commission	\$	4,068	
Other Debt Service		<u>1,190</u>	
Total General Government			<u>5,258</u>

Total General Debt Service Fund 758,214

Total Governmental Funds - Primary Government \$ 6,414,754

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, 2018

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,461,661	
Career Ladder Program		11,600	
Career Ladder Extended Contracts		2,000	
Homebound Teachers		1,132	
Educational Assistants		13,766	
Other Salaries and Wages		2,800	
Non-certified Substitute Teachers		36,222	
Social Security		140,454	
Pensions		212,286	
Life Insurance		2,808	
Medical Insurance		390,932	
Unemployment Compensation		4,321	
Employer Medicare		33,152	
Other Contracted Services		353	
Instructional Supplies and Materials		157,874	
Textbooks - Bound		14,253	
Regular Instruction Equipment		5,700	
Total Regular Instruction Program	\$		3,491,314

Special Education Program

Teachers	\$	292,524	
Career Ladder Program		3,000	
Educational Assistants		45,823	
Non-certified Substitute Teachers		3,346	
Social Security		19,457	
Pensions		27,555	
Medical Insurance		37,688	
Unemployment Compensation		4,700	
Employer Medicare		4,636	
Other Contracted Services		10,060	
Instructional Supplies and Materials		5,635	
Other Supplies and Materials		24	
Special Education Equipment		5,424	
Total Special Education Program			459,872

Career and Technical Education Program

Teachers	\$	156,226	
Non-certified Substitute Teachers		1,770	
Social Security		8,917	
Pensions		12,632	
Medical Insurance		18,967	
Unemployment Compensation		70	
Employer Medicare		2,085	
Instructional Supplies and Materials		5,848	
Vocational Instruction Equipment		8,000	
Total Career and Technical Education Program			214,515

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	30,894	
Career Ladder Program		1,000	
Social Security		1,846	
Pensions		2,896	
Medical Insurance		3,018	
Unemployment Compensation		26	
Employer Medicare		432	
Travel		710	
Total Attendance			\$ 40,822

Health Services

Supervisor/Director	\$	23,375	
Other Salaries and Wages		43,284	
Social Security		4,387	
Pensions		5,248	
Employer Medicare		1,026	
Other Supplies and Materials		15,030	
In Service/Staff Development		2,557	
Total Health Services			94,907

Other Student Support

Guidance Personnel	\$	51,922	
School Resource Officer		29,706	
Other Salaries and Wages		30,894	
Social Security		6,587	
Pensions		8,656	
Medical Insurance		7,112	
Employer Medicare		1,541	
Travel		1,835	
Other Contracted Services		4,410	
In Service/Staff Development		3,886	
Total Other Student Support			146,549

Regular Instruction Program

Supervisor/Director	\$	33,083	
Career Ladder Program		2,800	
Career Ladder Extended Contracts		500	
Librarians		91,296	
Educational Assistants		13,570	
Social Security		8,312	
Pensions		12,217	
Medical Insurance		10,098	
Unemployment Compensation		78	
Employer Medicare		1,970	
Travel		1,147	
Library Books/Media		10,976	
In Service/Staff Development		5,632	
Total Regular Instruction Program			191,679

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	33,950	
Bus Drivers		10,649	
Clerical Personnel		15,466	
Social Security		3,669	
Pensions		4,947	
Medical Insurance		2,188	
Unemployment Compensation		55	
Employer Medicare		858	
Other Contracted Services		38,912	
In Service/Staff Development		35	
Total Special Education Program			\$ 110,729

Technology

Supervisor/Director	\$	50,910	
Social Security		2,921	
Pensions		4,623	
Medical Insurance		8,153	
Employer Medicare		683	
Internet Connectivity		21,800	
Other Equipment		56,047	
Total Technology			145,137

Other Programs

On-behalf Payments to OPEB	\$	22,656	
Total Other Programs			22,656

Board of Education

Board and Committee Members Fees	\$	5,400	
Social Security		335	
Pensions		139	
Employer Medicare		78	
Dues and Memberships		2,379	
Legal Services		26,499	
Travel		5,892	
Other Contracted Services		1,090	
Boiler Insurance		2,278	
Liability Insurance		19,936	
Trustee's Commission		37,615	
Workers' Compensation Insurance		70,008	
Other Charges		15,825	
Total Board of Education			187,474

Director of Schools

County Official/Administrative Officer	\$	97,921	
Career Ladder Program		1,000	
Secretary(ies)		19,314	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Social Security	\$	7,576	
Pensions		10,538	
Medical Insurance		11,237	
Unemployment Compensation		55	
Employer Medicare		1,772	
Other Fringe Benefits		4,800	
Communication		1,371	
Dues and Memberships		1,369	
Postal Charges		2,987	
Travel		1,958	
Other Contracted Services		1,600	
Office Supplies		1,018	
Administration Equipment		169	
Total Director of Schools			\$ 164,685

Office of the Principal

Principals	\$	215,898	
Career Ladder Program		2,000	
Accountants/Bookkeepers		39,216	
Assistant Principals		110,063	
Secretary(ies)		34,566	
Social Security		23,915	
Pensions		34,183	
Medical Insurance		37,257	
Unemployment Compensation		183	
Employer Medicare		5,593	
Communication		14,796	
Maintenance and Repair Services - Equipment		255	
Travel		5,925	
Office Supplies		169	
Total Office of the Principal			524,019

Fiscal Services

Accountants/Bookkeepers	\$	42,235	
Clerical Personnel		4,828	
Social Security		2,572	
Pensions		2,730	
Medical Insurance		10,278	
Unemployment Compensation		55	
Employer Medicare		601	
Data Processing Services		330	
Other Contracted Services		9,486	
Data Processing Supplies		1,288	
In Service/Staff Development		1,960	
Administration Equipment		6,649	
Total Fiscal Services			83,012

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Supervisor/Director	\$	21,616	
Custodial Personnel		154,428	
Social Security		9,494	
Pensions		9,383	
Medical Insurance		6,644	
Unemployment Compensation		93	
Employer Medicare		2,510	
Other Contracted Services		3,773	
Custodial Supplies		28,955	
Electricity		200,419	
Natural Gas		123,433	
Water and Sewer		36,179	
Building and Contents Insurance		20,376	
Total Operation of Plant			\$ 617,303

Maintenance of Plant

Supervisor/Director	\$	34,539	
Other Salaries and Wages		35,005	
Social Security		4,287	
Pensions		4,034	
Medical Insurance		385	
Unemployment Compensation		55	
Employer Medicare		1,003	
Maintenance and Repair Services - Buildings		41,622	
Maintenance and Repair Services - Equipment		54,261	
Other Supplies and Materials		4,170	
Maintenance Equipment		8,835	
Total Maintenance of Plant			188,196

Transportation

Supervisor/Director	\$	21,616	
Bus Drivers		61,585	
Social Security		3,748	
Pensions		4,688	
Unemployment Compensation		100	
Employer Medicare		1,166	
Maintenance and Repair Services - Vehicles		26,640	
Diesel Fuel		36,151	
Gasoline		4,094	
Tires and Tubes		4,696	
Vehicle Parts		3,006	
Total Transportation			167,490

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	37,163	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In-service Training	\$	95	
Social Security		2,152	
Pensions		2,155	
Medical Insurance		38,847	
Unemployment Compensation		28	
Employer Medicare		503	
Maintenance and Repair Services - Equipment		11,248	
Payments to Schools - Breakfast		163,526	
Payments to Schools - Lunch		351,860	
Payments to Schools - Other		12,902	
Travel		477	
Other Contracted Services		1,350	
USDA - Commodities		44,533	
Other Charges		968	
Food Service Equipment		18,395	
Other Equipment		30,342	
Total Food Service			\$ 716,544

Community Services

Supervisor/Director	\$	43,412	
Teachers		38,289	
Clerical Personnel		14,701	
Educational Assistants		857	
Other Salaries and Wages		2,280	
Social Security		6,172	
Pensions		8,067	
Employer Medicare		1,443	
Other Contracted Services		10,452	
Food Supplies		175	
Instructional Supplies and Materials		17,445	
Other Supplies and Materials		120	
Indirect Cost		1,614	
In Service/Staff Development		1,300	
Other Charges		3,249	
Total Community Services			149,576

Early Childhood Education

Supervisor/Director	\$	33,950	
Teachers		133,773	
Career Ladder Program		1,000	
Educational Assistants		55,777	
Non-certified Substitute Teachers		2,903	
Social Security		12,904	
Pensions		18,543	
Medical Insurance		25,795	
Unemployment Compensation		500	

(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.)

Employer Medicare	\$	3,032	
Travel		135	
Food Supplies		2,936	
Instructional Supplies and Materials		16,112	
In Service/Staff Development		979	
Total Early Childhood Education			\$ 308,339

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	94,539	
Other Capital Outlay		6,399	
Total Regular Capital Outlay			100,938

Other Debt Service

Education

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

Total General Purpose School Fund \$ 8,250,756

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	124,773	
Other Salaries and Wages		160	
Non-certified Substitute Teachers		581	
Social Security		7,354	
Pensions		11,250	
Medical Insurance		13,313	
Unemployment Compensation		88	
Employer Medicare		1,720	
Instructional Supplies and Materials		21,457	
Other Charges		250	
Regular Instruction Equipment		76,133	
Total Regular Instruction Program			\$ 257,079

Special Education Program

Teachers	\$	84,997	
Educational Assistants		93,205	
Non-certified Substitute Teachers		2,267	
Social Security		10,468	
Pensions		13,124	
Medical Insurance		17,328	
Unemployment Compensation		319	
Employer Medicare		2,453	
Instructional Supplies and Materials		6,662	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	8,434	
Special Education Equipment		15,443	
Total Special Education Program			\$ 254,700

Career and Technical Education Program

Instructional Supplies and Materials	\$	1,676	
Vocational Instruction Equipment		10,194	
Total Career and Technical Education Program			11,870

Support Services

Other Student Support

Travel	\$	1,627	
Other Supplies and Materials		158	
In Service/Staff Development		4,248	
Other Charges		642	
Other Equipment		11,270	
Total Other Student Support			17,945

Regular Instruction Program

Supervisor/Director	\$	36,126	
Clerical Personnel		15,450	
Other Salaries and Wages		124,571	
Social Security		10,506	
Pensions		15,493	
Medical Insurance		7,697	
Unemployment Compensation		106	
Employer Medicare		2,457	
Maintenance and Repair Services - Equipment		3,144	
Travel		7,906	
Other Contracted Services		1,670	
Other Supplies and Materials		1,096	
In Service/Staff Development		19,503	
Other Equipment		3,354	
Total Regular Instruction Program			249,079

Special Education Program

Communication	\$	295	
Other Contracted Services		1,119	
In Service/Staff Development		8,963	
Total Special Education Program			10,377

Career and Technical Education Program

In Service/Staff Development	\$	2,023	
Total Career and Technical Education Program			2,023

(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>Transportation</u>			
Bus Drivers	\$	60	
Social Security		4	
Pensions		5	
Employer Medicare		1	
Total Transportation		<u> </u>	\$ 70
 <u>Operation of Non-Instructional Services</u>			
<u>Food Service</u>			
Food Supplies	\$	584	
Total Food Service		<u> </u>	<u>584</u>
Total School Federal Projects Fund			\$ 803,727
Total Governmental Funds - Lake County School Department			<u>\$ 9,054,483</u>

Exhibit J-9

Lake County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2018

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 170,885
Total Cash Receipts	<u>\$ 170,885</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 169,176
Trustee's Commission	1,709
Total Cash Disbursements	<u>\$ 170,885</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2017	<u>0</u>
Cash Balance, June 30, 2018	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the discretely presented Lake County Emergency Communications District, as described in our report on Lake County's financial statements. This report does not include the results of other auditors testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2018-001.

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: 2018-003, 2018-005, 2018-007, and 2018-009.

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: 2018-002, 2018-004, 2018-006, and 2018-008.

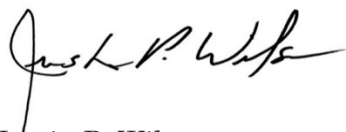
Lake County's Responses to the Findings

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

November 30, 2018

JPW/kp



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Lake County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lake County's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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.

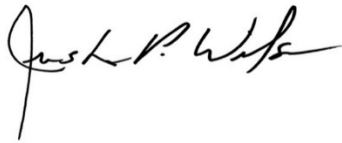
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2018, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated November 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on 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.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 30, 2018

JPW/kp

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, 2018

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	\$ 163,526
National School Lunch Program	10.555	N/A	360,562 (6)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	44,533 (6)
Total U.S. Department of Agriculture			<u>\$ 568,621</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	11250	\$ 471,477
Total U.S. Department of Housing and Urban Development			<u>\$ 471,477</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-lieu-of Taxes	15.226	N/A	\$ 14,511
Total U.S. Department of Interior			<u>\$ 14,511</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)	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(4)	\$ 10,127
Total U.S. Department of Labor			<u>\$ 10,127</u>
U. S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z17THS210	\$ 4,915
Total U. S. Department of Transportation			<u>\$ 4,915</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 440,887
Special Education Cluster: (3)			
Special Education - Grants to States	84.027	N/A	256,765
Special Education - Preschool Grants	84.173	N/A	8,311
Career and Technical Education - Basic Grants to States	84.048	N/A	20,410
Twenty-first Century Community Learning Centers	84.287	N/A	151,189
Rural Education	84.358	N/A	12,060
Improving Teacher Quality State Grants	84.367	N/A	43,970
Total U.S. Department of Education			<u>\$ 933,592</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)	\$ 36,713
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	(5)	58,665
Passed-through State Department of Human Services:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	(4)	21,765
Total U.S. Department of Health and Human Services			<u>\$ 117,143</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)	\$ 63,152
Emergency Management Performance Grants	97.042	(4)	15,823
Total U.S. Department of Homeland Security			\$ 78,975
Total Federal Awards			\$ 2,208,361
		Contract Number	
<u>State Grants:</u>			
Courtroom Security Grant - Administrative Office of the Courts	N/A	(4)	\$ 24,451
Litter Program - State Department of Transportation	N/A	(4)	6,689
Early Childhood Education - State Department of Education	N/A	(4)	311,540
Connect Tennessee - State Department of Education	N/A	(4)	2,033
Safe Schools - State Department of Education	N/A	(4)	5,200
Coordinated School Health - State Department of Education	N/A	(4)	96,026
CTE Equipment Grant - State Department of Education	N/A	(4)	8,741
Read to be Ready - State Department of Education	N/A	(4)	9,929
Family Resource Centers - State Department of Education	N/A	(4)	26,558
Total State Grants			\$ 491,167

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 \$568,621, Special Education Cluster total \$265,076.
- (4) Information not available.
- (5) GG1752289: \$13,381; GG1856059: \$45,284.
- (6) Total for CFDA No. 10.555 is \$405,095.

Lake County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2018

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 not. 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, 2018.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<u>OFFICE OF COUNTY MAYOR</u>					
2017	161	2017-001	The General and General Debt Service Funds Required Material Audit Adjustments for Proper Financial Statement Presentation	N/A	Corrected - General Fund; Not Corrected - General Debt Service Fund - See Explanation on Corrective Action Plan
2017	162	2017-002	The Office had Deficiencies in Budget Operations	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	163	2017-003	The Office had Deficiencies in the Administration of Payroll Deductions and Payroll Liability Accounts	N/A	A. - Not Corrected - See Explanation on Corrective Action Plan B. and C. - Corrected
2017	164	2017-004	General Ledger Cash Accounts were not Properly Reconciled with County Trustee Reports	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	165	2017-005	Accounting Records were not Closed on a Timely Basis, and Receivables and Payables were not Recorded	N/A	Corrected
2017	166	2017-006	The Solid Waste/Sanitation Fund had a Deficit in Unassigned Fund Balance at June 30, 2017.	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	166	2017-007	The County Commission Violated the County's Leave Policy	N/A	Corrected
<u>OFFICE OF ROAD SUPERINTENDENT</u>					
2017	167	2017-008	Wages were not Subjected to Retirement Withholdings and were not Reported to the Tennessee Consolidated Retirement System	N/A	Corrected
<u>OFFICE OF SHERIFF</u>					
2017	168	2017-009	The Sheriff did not Obtain a Letter of Agreement or Court Decree to Authorize Deputy Hires	N/A	Corrected
<u>OFFICES OF COUNTY MAYOR, DIRECTOR OF SCHOOLS, SHERIFF, AND THE AMBULANCE SERVICE</u>					
2017	168	2017-010	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, 2018

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 Numbers: 10.553 and 10.555 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program
 - * CFDA Number 14.228 Community Development Block Grants/State's Program
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 2018-001

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

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

At June 30, 2018, certain general ledger account balances in the General Debt Service Fund were not materially correct, and audit adjustments totaling \$92,136 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 concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

FINDING 2018-002

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(A. through C. – Noncompliance Under *Government Auditing Standards*; D. – Material Noncompliance 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 and General Debt Service funds by \$7,611 and \$946, respectively.
- B. Expenditures exceeded appropriations approved by the County Commission in seven 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 - County Mayor/Executive Administration of Justice - Juvenile Court	\$ 3,177 4,166
Administration of Justice - Courtroom Security	4,827
Public Health and Welfare - Ambulance/Emergency Medical Services	10,990
Social, Cultural, and Recreational Services - Other Social, Cultural and Recreational	349
Other Operations - Other Charges	8,607
Other Financing Sources - Transfers Out	2,500

- C. Salaries exceeded appropriations in 16 of 63 salary line-items of the General Fund by amounts ranging from \$125 to \$18,924. 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 Fund resulted in appropriations exceeding estimated available funding by \$353,082. Sound budgetary principles dictate that appropriations be held within estimated available funding.

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.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

I concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

FINDING 2018-003

**GENERAL LEDGER PAYROLL DEDUCTION ACCOUNTS
WERE NOT RECONCILED WITH PAYROLL REPORTS
AND PAYMENTS IN THE GENERAL AND SOLID
WASTE/SANITATION FUNDS**

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

General ledger payroll deduction accounts were not reconciled with payroll reports and payments in the General and Solid Waste/Sanitation funds. Sound business practices dictate that these reconciliations be performed monthly. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. This deficiency exists because management failed to correct the finding noted in the prior-year audit report and failed to implement their corrective action plan.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

I concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

FINDING 2018-004

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

(Noncompliance Under *Government Auditing Standards*)

The office did not reconcile its funds' general ledger cash accounts with county trustee's reports monthly. Reconciliations for the months of July 2017 through June 2018 were not completed until June 2018. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the trustee's reports monthly. The failure to currently reconcile cash accounts with the trustee reports allows errors to remain undiscovered and uncorrected. This deficiency exists because management failed to correct the finding noted in the prior-year audit report and failed to implement their corrective action plan.

RECOMMENDATION

The office should reconcile the 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 concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

FINDING 2018-005

THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2018

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

The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance of \$2,402 at June 30, 2018. This deficit occurred primarily due to the failure to reconcile cash balances and correct errors as noted in Finding 2018-004. This deficiency also exists because management failed to correct the finding noted in the prior-year audit report and failed to implement their corrective action plan.

RECOMMENDATION

Officials should liquidate the deficit in unassigned fund balance in the Solid Waste/Sanitation Fund.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

FINDING 2018-006

THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE IN A TIMELY MANNER

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a tax anticipation note in a timely manner. On August 17, 2017, the county issued a \$250,000 Tax Anticipation Note from the General Debt Service Fund to the General Fund. The office did not file the Report on Debt Obligation with the state Comptroller's Office for this note until November 5, 2018, when it was brought to their attention during the audit. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt was issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance within 45 days following the issuance of the debt as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

FINDING 2018-007

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

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

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 25 disbursements totaling \$37,597 from a population of approximately 1,580 vendor checks totaling \$2,493,306. Our examination revealed the following deficiencies, which are the result of a lack of management oversight and a lack of understanding of internal controls and sound business practices.

- A. In seven of 25 applicable instances, proper documentation was not on file to support the purchase. Sound business practices dictate that proper documentation should be on file to support all purchases. The absence of proper documentation increases the risks of fraud and unauthorized purchases.
- B. Invoices were paid without documentation that goods had been received and/or services had been rendered in eight of 25 applicable purchases. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.

RECOMMENDATION

Proper documentation should be on file for all purchases and should include evidence that goods have been received or services have been rendered before invoices are paid.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

I concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2018-008 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(Noncompliance Under *Government Auditing Standards*)

Our examination revealed 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, and management failed to provide sufficient oversight.

- A. Expenditures exceeded appropriations approved by the County Commission in two of 22 major appropriation categories (the legal level of control) in the General Purpose School Fund, as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Support Services - Transportation	\$ 12,800
Operation of Non-Instructional Services - Food Service	16,482

- B. Salaries exceeded appropriations in nine of 58 salary line-items of the General Purpose School Fund by amounts ranging from \$116 to \$5,531. 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.

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.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We agree with the finding and will take steps to correct this issue.

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

FINDING 2018-009

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 plans.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I concur with the audit finding and will make every effort to correct the errors and deficiencies noted.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We agree with the finding and will take steps to correct this issue.

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, 2018.

Lake County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2018

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.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICE OF COUNTY MAYOR

2018-001	The General Debt Service Fund Required Material Audit Adjustments for Proper Financial Statement Presentation	177
2018-002	The Office had Deficiencies in Budget Operations	177
2018-003	General Ledger Payroll Deduction Accounts were not Reconciled with Payroll Reports and Payments in the General and Solid Waste/Sanitation Funds	178
2018-004	General Ledger Cash Accounts were not Properly Reconciled with County Trustee Reports Monthly	179
2018-005	The Solid Waste/Sanitation Fund had a Deficit in Unassigned Fund Balance at June 30, 2018	179
2018-006	The Office did not File a Report on Debt Obligation with the State Comptroller's Office in a Timely Manner	180
2018-007	The Office had Deficiencies in Purchasing Procedures	180

OFFICE OF DIRECTOR OF SCHOOLS

2018-008	The Office had Deficiencies in Budget Operations	182
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OFFICES OF COUNTY MAYOR, DIRECTOR OF SCHOOLS, SHERIFF, AND THE AMBULANCE SERVICE

2018-009	Duties were not Segregated Adequately - Mayor and Ambulance Service	181
2018-009	Duties were not Segregated Adequately - Director of Schools	182
2018-009	Duties were not Segregated Adequately - Sheriff	184

TELEPHONE
731/253-7382

DENNY JOHNSON

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



Corrective Action Plan

FINDING: THE GENERAL DEBT SERVICE FUND 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:
Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
The office omitted receivables and deferred revenue totaling \$92,136 at year-end. This caused us to underestimate revenue in that fund.

Planned Corrective Action:
Management has new bookkeepers. We will make sure receivables and deferred revenue are properly posted in the future.

FINDING: 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:
Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

There are several reasons the finding was not corrected in the prior year. The budget was overspent due to unexpected equipment breakdowns, overlap in payroll for training new employees, large increases in juvenile incarceration expenses, and overtime. The budgeted deficit in the General Fund was caused by budgeting expenses for a \$500,000 CDBG grant, but we failed to budget the corresponding revenue.

Planned Corrective Action:

Management is working hard with the other departments to keep expenditures within budget.

FINDING:

**GENERAL LEDGER PAYROLL DEDUCTION
ACCOUNTS WERE NOT RECONCILED WITH PAYROLL
REPORTS AND PAYMENTS IN THE GENERAL AND
SOLID WASTE/SANITATION FUNDS**

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:

June 30, 2019

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

Balances were inherited from a previous administration, and unfortunately, this has been a problem for many years.

Planned Corrective Action:

We have made progress in this area, and we will continue to work on this until all balances are identified and accounts are reconciled monthly.

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

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

Person Responsible for Implementing the Corrective Action:
Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
The Mayor's Office worked diligently during the past year with Local Government, CTAS, and the auditors to reconcile and balance errors that were made in the previous year; however, we were not able to reconcile monthly until those errors had been identified.

Planned Corrective Action:
The current staff is working closely with the Trustee's Office to balance monthly. Since year-end, cash has been reconciled on a current basis.

FINDING: THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2018

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

Person Responsible for Implementing the Corrective Action:
Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
We had a deficit in the prior year of \$3,358. We made attempts to correct it including transferring funds from the General Fund; however, a portion of the deficit remained at year-end.

Planned Corrective Action:

Management is working with the Solid Waste Director to control expenses.

FINDING: THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE IN A TIMELY MANNER

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:

November 5, 2018

Repeat Finding:

No

Planned Corrective Action:

We filed the form with the state Comptroller's Office on November 5, 2018. In the future, we will file this form in a timely manner.

FINDING: THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:

June 30, 2019

Repeat Finding:

No

Planned Corrective Action:

The majority of the deficiencies noted pertained to payments for contracted labor that did not specify dates and hours worked or did not include a signature of approval. Directors have been instructed to include all necessary information and to sign each invoice.

FINDING:

DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Denny Johnson, County Mayor

Anticipated Completion Date of Corrective Action:

June 30, 2019

Repeat Finding:

Yes

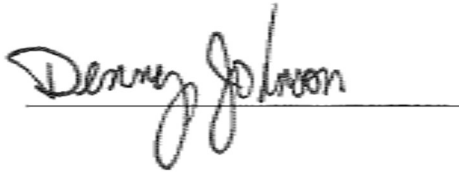
Reason Corrective Action was Not Taken in the Prior Year:

We had changes to our staff. Also, the Ambulance Service is a small organization with limited resources and funding.

Planned Corrective Action:

Management is working with existing staff to segregate duties. We have one bookkeeper who prepares the invoices and another who cuts the checks. Then, I sign the checks with the accompanying invoice. The chairman pro tem is the second signer and is a fourth set of eyes on each check and invoice.

Signature:

A handwritten signature in cursive script that reads "Denny Johnson". The signature is written over a horizontal line.



LAKE COUNTY SCHOOL SYSTEM

Sherry Darnell

Director of Schools
819 McBride Street
Tiptonville, TN 38079
Phone (731)-253-6601
Fax (731)-253-7111

Corrective Action Plan

FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY

Board Members

Jason Stanley
Chairperson
Deborah Cox
Vice Chairperson
John Cochran
Warren Douglas
Judy Fraley
Debra Holliman
Dianne Homra
Patricia Parks
Vivian Windsor

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:
11/26/18

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
We attempted to segregate duties, but did not realize we should do more on the payroll side.

Planned Corrective Action:
On the payroll side, I, the Director of Schools will review and initial all payroll reports.

FINDING: THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

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

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

Staff
Bret Johnson
Attendance/Safe Schools
Suzanne Mathis
Technology
Mandy Norris
Instruction/Federal
Projects
Nikki Springer
Special Education/Pre-K
Program
Hank Curvin
Transportation/Facilities
Management
Glenda Whitson
School Food Service



LAKE COUNTY SCHOOL SYSTEM

Sherry Darnell

Director of Schools
819 McBride Street
Tiptonville, TN 38079
Phone (731)-253-6601
Fax (731)-253-7111

Anticipated Completion Date of Corrective Action:
11/26/18

Repeat Finding:
No

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

Planned Corrective Action:

We will make sure all budget amendments are approved by year end to ensure we do not overspend major categories or salary line items.

Board Members

Jason Stanley
Chairperson
Deborah Cox
Vice Chairperson
John Cochran
Warren Douglas
Judy Fraley
Debra Holliman
Dianne Homra
Patricia Parks
Vivian Windsor

Sherry Darnell, Director of Schools

Staff

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



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

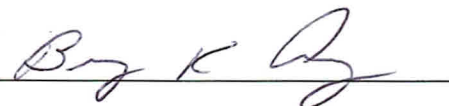
Person Responsible for Implementing the Corrective Action:
Neina Ceaser, Bookkeeper

Anticipated Completion Date of Corrective Action:
11/19/18

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
We came up with a plan to segregate our duties but unfortunately fell short. We take every effort to work under the conditions suggested to us.

Planned Corrective Action:
We will continue to segregate duties to the best of our ability. We have limited staffing but will make sure we implement these actions as best we can.

Signature: 

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.