

# ANNUAL FINANCIAL REPORT

## LAKE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2019



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

*COMPTROLLER OF THE TREASURY*  
*JUSTIN P. WILSON*

*DIVISION OF LOCAL GOVERNMENT AUDIT*  
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*State Auditors*

This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)

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## ***Summary of Audit Findings***

Annual Financial Report  
Lake County, Tennessee  
For the Year Ended June 30, 2019

### ***Scope***

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2019.

### ***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 and General Debt Service funds required material audit adjustments for proper financial statement presentation.
- ◆ Lake County has a material recurring audit finding.
- ◆ The office had accounting deficiencies.
- ◆ The office had deficiencies in budget operations.
- ◆ The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance at June 30, 2019.
- ◆ The office did not properly file Reports on Debt Obligation with the state Comptroller's Office.
- ◆ An interfund loan was not issued in accordance with state statute.

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#### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Competitive bids were not solicited for the purchase of a vehicle.
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**OFFICES OF COUNTY MAYOR, SHERIFF, AND THE AMBULANCE SERVICE**

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Lake County Officials

## June 30, 2019

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### **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	Don Moore
Mallory Berry	Terry Pierce
John Parker Dean	Danny Tippit, II
Wayne Hatley	Timothy Windsor
Joyce McCoy	Jimmy Yates

### **Highway Commission**

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

### **Board of Education**

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

### **Audit Committee**

Albert Markham, Chairman  
Mack Forrester  
Fred Wortman

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## FINANCIAL SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

## 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, 2019, 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 13.6 percent, 17.3 percent, and 2.2 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, 2019, 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.

### ***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 school changes in the total OPEB liability and related ratios, as listed in the table of contents, 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.

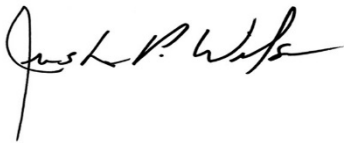
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), schedule of 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 December 13, 2019, 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

December 13, 2019

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lake County, Tennessee  
Statement of Net Position  
June 30, 2019

	Primary Government Governmental Activities	Component Units	
		Lake County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 1,059	\$ 0	\$ 1,217,966
Equity in Pooled Cash and Investments	1,939,952	1,586,885	0
Accounts Receivable	2,620,304	8,198	0
Allowance for Uncollectibles	(1,804,032)	0	0
Due from Other Governments	452,467	134,710	0
Due from Primary Government	0	20,000	0
Property Taxes Receivable	1,857,198	827,553	0
Allowance for Uncollectible Property Taxes	(22,298)	(10,890)	0
Cash Shortage	17,445	0	0
Net Pension Asset - Teacher Retirement Plan	0	51,481	0
Net Pension Asset - Teacher Legacy Pension Plan	0	324,583	0
Restricted Assets:			
Amounts Accumulated for Pension Benefits	0	29,205	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,365,169	67,365	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	816,082	5,454,092	48,417
Infrastructure	3,738,765	0	0
Other Capital Assets	1,143,147	193,065	98,892
Total Assets	<u>\$ 13,125,258</u>	<u>\$ 8,686,247</u>	<u>\$ 1,365,275</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding	\$ 189,794	\$ 0	\$ 0
Pension Changes in Experience	204,686	149,593	0
Pension Changes in Assumptions	119,510	241,462	0
Pension Changes in Proportion	0	14,370	0
Pension Contributions After Measurement Date	132,877	387,753	0
OPEB Changes in Assumptions	0	26,031	0
OPEB Contributions After Measurement Date	0	57,423	0
Total Deferred Outflows of Resources	<u>\$ 646,867</u>	<u>\$ 876,632</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 180,740	\$ 227,268	\$ 0
Accrued Payroll	0	1,181	0
Payroll Deductions Payable	14,538	0	0
Due to State of Tennessee	1,111	0	0
Due to Component Unit	20,000	0	0
Accrued Interest Payable	24,285	0	0
Noncurrent Liabilities:			
Due Within One Year - Debt	568,782	0	0
Due Within One Year - Other	11,949	2,095	0
Due in More Than One Year - Debt	10,371,704	0	0
Due in More Than One Year - Other	338,748	968,205	0
Total Liabilities	<u>\$ 11,531,857</u>	<u>\$ 1,198,749</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	\$ 1,794,997	\$ 795,248	\$ 0
Pension Changes in Experience	35,735	454,093	0
Pension Changes in Investment Earnings	25,184	83,525	0
Pension Changes in Proportion	0	100,649	0
OPEB Changes in Experience	0	293,841	0
OPEB Changes in Assumptions	0	50,262	0
OPEB Changes in Proportion	0	62,250	0
Total Deferred Inflows of Resources	<u>\$ 1,855,916</u>	<u>\$ 1,839,868</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 6,724,994	\$ 5,714,522	\$ 147,309
Restricted for:			
General Government	2,670	0	0
Finance	87	0	0
Administration of Justice	26,035	0	0
Public Safety	25,565	0	0
Public Health and Welfare	1,728	0	0
Highway/Public Works	1,549,991	0	0
Instruction	0	9,048	0
Debt Service	194,597	0	0
Capital Projects	3,500	0	0
Hybrid Retirement Stabilization Funds	0	29,205	0
Pensions	0	376,064	0
Unrestricted	<u>(8,144,815)</u>	<u>395,423</u>	<u>1,217,966</u>
Total Net Position	<u>\$ 384,352</u>	<u>\$ 6,524,262</u>	<u>\$ 1,365,275</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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units	
						Lake County School Department	Emergency Communica- tions District
Primary Government:							
Governmental Activities:							
General Government	\$ 865,141	\$ 97,168	\$ 145,373	\$ 0	\$ (622,600)	\$ 0	
Finance	364,877	164,247	0	0	(200,630)	0	
Administration of Justice	472,547	137,592	4,500	0	(330,455)	0	
Public Safety	1,297,951	499,142	19,069	0	(779,740)	0	
Public Health and Welfare	1,055,255	1,016,648	29,514	0	(9,093)	0	
Social, Cultural, and Recreational Services	133,498	0	52,761	0	(80,737)	0	
Agriculture and Natural Resources	20,074	0	0	0	(20,074)	0	
Highways	1,523,833	16,575	1,713,663	382,034	588,439	0	
Education	1,694,232	0	0	0	(1,694,232)	0	
Interest on Long-term Debt	324,598	0	2,136	0	(322,462)	0	
<b>Total Primary Government</b>	<b>\$ 7,752,006</b>	<b>\$ 1,931,372</b>	<b>\$ 1,967,016</b>	<b>\$ 382,034</b>	<b>\$ (3,471,584)</b>	<b>\$ 0</b>	
Component Units:							
Lake County School Department	\$ 8,694,029	\$ 58,365	\$ 1,793,115	\$ 0	\$ 0	\$ (6,842,549)	
Emergency Communications District	160,559	239,571	0	0	0	79,012	
<b>Total Component Units</b>	<b>\$ 8,854,588</b>	<b>\$ 297,936</b>	<b>\$ 1,793,115</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (6,842,549)</b>	

(Continued)

Exhibit B

Lake County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units	
						Lake County School Department	Emergency Communica- tions District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,562,221	\$ 911,028	\$ 0
Property Taxes Levied for Debt Service					140,722	0	0
Local Option Sales Taxes					357,479	325,601	0
Hotel/Motel Tax					35,334	0	0
Wheel Tax					275,821	39,016	0
Litigation Tax					35,358	0	0
Business Tax					20,504	2,279	0
Other Local Taxes					10,128	0	0
Grants and Contributions Not Restricted to Specific Programs					85,171	7,538,007	0
Unrestricted Investment Income					51,227	1,474	5,073
Miscellaneous					26,064	7,714	0
Total General Revenues					<u>\$ 2,600,029</u>	<u>\$ 8,825,119</u>	<u>\$ 5,073</u>
Change in Net Position					\$ (871,555)	\$ 1,982,570	\$ 84,085
Net Position, July 1, 2018					<u>1,255,907</u>	<u>4,541,692</u>	<u>1,281,190</u>
Net Position, June 30, 2019					<u>\$ 384,352</u>	<u>\$ 6,524,262</u>	<u>\$ 1,365,275</u>

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

Exhibit C-1

Lake County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2019

	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	\$ 1,059	\$ 1,059
Equity in Pooled Cash and Investments	195,746	1,487,535	216,185	40,486	1,939,952
Accounts Receivable	2,619,236	0	0	1,068	2,620,304
Allowance for Uncollectibles	(1,804,032)	0	0	0	(1,804,032)
Due from Other Governments	84,931	311,023	55,474	1,039	452,467
Due from Other Funds	3,028	0	0	0	3,028
Property Taxes Receivable	1,490,032	26,015	255,769	85,382	1,857,198
Allowance for Uncollectible Property Taxes	(18,429)	(343)	(2,501)	(1,025)	(22,298)
Cash Shortage	17,445	0	0	0	17,445
Total Assets	<u>\$ 2,587,957</u>	<u>\$ 1,824,230</u>	<u>\$ 524,927</u>	<u>\$ 128,009</u>	<u>\$ 5,065,123</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 4,858	\$ 172,822	\$ 0	\$ 3,060	\$ 180,740
Payroll Deductions Payable	12,454	0	0	1,917	14,371
Future Compensation Payable	167	0	0	0	167
Due to Other Funds	0	0	0	3,028	3,028
Due to Component Units	20,000	0	0	0	20,000
Due to State of Tennessee	1,036	0	0	75	1,111
Total Liabilities	<u>\$ 38,515</u>	<u>\$ 172,822</u>	<u>\$ 0</u>	<u>\$ 8,080</u>	<u>\$ 219,417</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,437,535	\$ 24,994	\$ 249,944	\$ 82,524	\$ 1,794,997
Deferred Delinquent Property Taxes	32,127	639	3,136	1,728	37,630

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>DEFERRED INFLOWS OF RESOURCES (Cont.)</u>					
Other Deferred/Unavailable Revenue	\$ 761,160	\$ 144,248	\$ 25,952	\$ 0	\$ 931,360
Total Deferred Inflows of Resources	<u>\$ 2,230,822</u>	<u>\$ 169,881</u>	<u>\$ 279,032</u>	<u>\$ 84,252</u>	<u>\$ 2,763,987</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 2,670	\$ 0	\$ 0	\$ 0	\$ 2,670
Restricted for Finance	87	0	0	0	87
Restricted for Administration of Justice	6,591	0	0	19,444	26,035
Restricted for Public Safety	5,149	0	0	20,416	25,565
Restricted for Highways/Public Works	0	1,481,527	0	0	1,481,527
Restricted for Capital Outlay	3,500	0	0	0	3,500
Committed:					
Committed for Debt Service	0	0	245,895	0	245,895
Unassigned	300,623	0	0	(4,183)	296,440
Total Fund Balances	<u>\$ 318,620</u>	<u>\$ 1,481,527</u>	<u>\$ 245,895</u>	<u>\$ 35,677</u>	<u>\$ 2,081,719</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,587,957</u>	<u>\$ 1,824,230</u>	<u>\$ 524,927</u>	<u>\$ 128,009</u>	<u>\$ 5,065,123</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, 2019

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)		\$	2,081,719
(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		816,082	
Add: infrastructure net of accumulated depreciation		3,738,765	
Add: other capital assets net of accumulated depreciation		<u>1,143,147</u>	8,063,163
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(47,360)	
Less: other loan payable		(1,694,232)	
Less: capital lease payable		(101,673)	
Less: bonds payable		(9,070,000)	
Less: accrued interest payable		(24,285)	
Less: other deferred revenue - premium on debt		(36,553)	
Add: deferred charges - discount on debt issued		9,332	
Less: compensated absences payable		(238,956)	
Add: deferred amount on refunding		189,794	
Less: net pension liability - agent plan		<u>(111,741)</u>	(11,125,674)
(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	\$	457,073	
Less: deferred inflows of resources related to pensions		<u>(60,919)</u>	396,154
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>968,990</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>384,352</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, 2019

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,841,238	\$ 28,904	\$ 519,740	\$ 0	\$ 87,002	\$ 2,476,884
Licenses and Permits	13,481	0	0	0	0	13,481
Fines, Forfeitures, and Penalties	43,984	0	0	0	12,014	55,998
Charges for Current Services	735,493	0	0	0	936	736,429
Other Local Revenues	138,450	1,370	0	0	13,537	153,357
Fees Received From County Officials	263,785	0	0	0	0	263,785
State of Tennessee	511,354	2,080,313	0	0	1,039	2,592,706
Federal Government	29,769	0	0	0	0	29,769
Other Governments and Citizens Groups	110,036	15,325	125,000	0	35,724	286,085
<b>Total Revenues</b>	<b>\$ 3,687,590</b>	<b>\$ 2,125,912</b>	<b>\$ 644,740</b>	<b>\$ 0</b>	<b>\$ 150,252</b>	<b>\$ 6,608,494</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 574,562	\$ 0	\$ 0	\$ 0	\$ 0	\$ 574,562
Finance	373,610	0	0	0	0	373,610
Administration of Justice	481,129	0	0	0	17	481,146
Public Safety	1,230,562	0	0	0	31,268	1,261,830
Public Health and Welfare	788,689	0	0	0	220,319	1,009,008
Social, Cultural, and Recreational Services	130,201	0	0	0	0	130,201
Agriculture and Natural Resources	20,776	0	0	0	0	20,776
Other Operations	277,557	0	0	0	0	277,557
Highways	0	1,777,599	0	0	0	1,777,599
Debt Service:						
Principal on Debt	12,640	0	450,000	0	22,214	484,854
Interest on Debt	2,803	0	299,791	0	2,970	305,564
Other Debt Service	0	0	7,777	0	0	7,777

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 1,694,232	\$ 0	\$ 1,694,232
Total Expenditures	\$ 3,892,529	\$ 1,777,599	\$ 757,568	\$ 1,694,232	\$ 276,788	\$ 8,398,716
<u>Excess (Deficiency) of Revenues Over Expenditures</u>						
	\$ (204,939)	\$ 348,313	\$ (112,828)	\$ (1,694,232)	\$ (126,536)	\$ (1,790,222)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,000
Capital Leases Issued	0	0	0	0	107,517	107,517
Other Loans Issued	0	0	0	1,694,232	0	1,694,232
Insurance Recovery	6,582	0	0	0	0	6,582
Total Other Financing Sources (Uses)	\$ 66,582	\$ 0	\$ 0	\$ 1,694,232	\$ 107,517	\$ 1,868,331
<u>Net Change in Fund Balances</u>						
Fund Balance, July 1, 2018	\$ 456,977	\$ 1,133,214	\$ 358,723	\$ 0	\$ 54,696	\$ 2,003,610
Fund Balance, June 30, 2019	\$ 318,620	\$ 1,481,527	\$ 245,895	\$ 0	\$ 35,677	\$ 2,081,719

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, 2019

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)	\$	78,109
<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	\$	729,900
Less: current-year depreciation expense		<u>(647,146)</u>
		82,754
<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, 2019	\$	968,990
Less: deferred delinquent property taxes and other deferred June 30, 2018		<u>(699,169)</u>
		269,821
<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>		
Less: capital lease proceeds	\$	(107,517)
Less: note proceeds		(60,000)
Less: other loan proceeds		(1,694,232)
Add: principal payment on capital lease		22,214
Add: principal payment on note		12,640
Add: principal payments on bonds		450,000
Less: change in deferred amount on refunding debt		(19,180)
Add: change in premium on debt issuance		2,136
Less: change in discount on debt issuance		<u>(552)</u>
		(1,394,491)
<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	\$	698
Change in compensated absences payable		13,179
Change in deferred outflows related to pensions		(78,620)
Change in deferred inflows related to pensions		99,741
Change in net pension liability		<u>57,254</u>
		92,252
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(871,555)</u></u>

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

Exhibit C-5

Lake County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,841,238	\$ 1,725,013	\$ 1,725,013	\$ 116,225
Licenses and Permits	13,481	12,920	12,920	561
Fines, Forfeitures, and Penalties	43,984	59,510	59,510	(15,526)
Charges for Current Services	735,493	871,160	871,160	(135,667)
Other Local Revenues	138,450	163,600	163,600	(25,150)
Fees Received From County Officials	263,785	269,900	269,900	(6,115)
State of Tennessee	511,354	1,284,600	1,284,600	(773,246)
Federal Government	29,769	3,800	3,800	25,969
Other Governments and Citizens Groups	110,036	114,000	114,000	(3,964)
Total Revenues	\$ 3,687,590	\$ 4,504,503	\$ 4,504,503	\$ (816,913)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 27,655	\$ 27,400	\$ 27,400	\$ (255)
County Mayor/Executive	212,214	162,121	211,905	(309)
County Attorney	38,464	12,000	38,964	500
Election Commission	116,895	118,989	119,206	2,311
Register of Deeds	91,781	92,713	92,713	932
Development	12,233	11,000	13,822	1,589
County Buildings	75,320	57,725	71,763	(3,557)
<u>Finance</u>				
Property Assessor's Office	111,438	114,651	114,651	3,213
County Trustee's Office	122,423	125,958	125,958	3,535
County Clerk's Office	139,749	142,065	142,065	2,316
<u>Administration of Justice</u>				
Circuit Court	184,372	190,792	190,792	6,420
General Sessions Court	115,354	116,190	116,520	1,166
Chancery Court	94,883	96,628	96,628	1,745
Juvenile Court	53,166	49,135	51,760	(1,406)
Other Administration of Justice	3,857	4,500	4,500	643
Courtroom Security	29,497	27,500	27,500	(1,997)
<u>Public Safety</u>				
Sheriff's Department	605,762	551,501	614,589	8,827
Jail	608,878	663,355	664,098	55,220
Civil Defense	15,922	10,000	16,076	154
<u>Public Health and Welfare</u>				
Local Health Center	42,365	80,971	80,971	38,606
Ambulance/Emergency Medical Services	726,647	702,489	756,435	29,788
Sanitation Management	19,677	44,200	44,200	24,523
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	102,728	98,962	98,962	(3,766)
Libraries	18,875	21,500	21,500	2,625
Other Social, Cultural, and Recreational	8,598	10,000	10,000	1,402
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	20,776	30,248	30,248	9,472
<u>Other Operations</u>				
Tourism	44,625	30,000	43,625	(1,000)
Other Economic and Community Development	113,320	816,000	816,000	702,680

(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	\$ 42,661	\$ 40,000	\$ 41,779	\$ (882)
Contributions to Other Agencies	7,298	5,000	7,298	0
Employee Benefits	69,653	116,000	159,971	90,318
<u>Principal on Debt</u>				
General Government	12,640	0	12,640	0
<u>Interest on Debt</u>				
General Government	2,803	0	2,803	0
Total Expenditures	<u>\$ 3,892,529</u>	<u>\$ 4,569,593</u>	<u>\$ 4,867,342</u>	<u>\$ 974,813</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (204,939)	\$ (65,090)	\$ (362,839)	\$ 157,900
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 60,000	\$ 0	\$ 0
Other Loans Issued	60,000	0	60,000	0
Insurance Recovery	6,582	0	0	6,582
Transfers In	0	15,000	15,000	(15,000)
Total Other Financing Sources	<u>\$ 66,582</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ (8,418)</u>
Net Change in Fund Balance	\$ (138,357)	\$ 9,910	\$ (287,839)	\$ 149,482
Fund Balance, July 1, 2018	<u>456,977</u>	<u>400,525</u>	<u>400,525</u>	<u>56,452</u>
Fund Balance, June 30, 2019	<u>\$ 318,620</u>	<u>\$ 410,435</u>	<u>\$ 112,686</u>	<u>\$ 205,934</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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 28,904	\$ 28,950	\$ 28,950	\$ (46)
Other Local Revenues	1,370	29,000	29,000	(27,630)
State of Tennessee	2,080,313	2,446,982	2,446,982	(366,669)
Other Governments and Citizens Groups	15,325	15,000	15,000	325
Total Revenues	<u>\$ 2,125,912</u>	<u>\$ 2,519,932</u>	<u>\$ 2,519,932</u>	<u>\$ (394,020)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 223,968	\$ 277,457	\$ 277,457	\$ 53,489
Highway and Bridge Maintenance	483,043	1,414,500	1,024,263	541,220
Operation and Maintenance of Equipment	273,800	431,364	431,364	157,564
Other Charges	144,713	133,007	147,709	2,996
Employee Benefits	96,455	122,000	122,000	25,545
Capital Outlay	555,620	402,000	777,535	221,915
Total Expenditures	<u>\$ 1,777,599</u>	<u>\$ 2,780,328</u>	<u>\$ 2,780,328</u>	<u>\$ 1,002,729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 348,313</u>	<u>\$ (260,396)</u>	<u>\$ (260,396)</u>	<u>\$ 608,709</u>
Net Change in Fund Balance	\$ 348,313	\$ (260,396)	\$ (260,396)	\$ 608,709
Fund Balance, July 1, 2018	<u>1,133,214</u>	<u>1,117,551</u>	<u>1,117,551</u>	<u>15,663</u>
Fund Balance, June 30, 2019	<u>\$ 1,481,527</u>	<u>\$ 857,155</u>	<u>\$ 857,155</u>	<u>\$ 624,372</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, 2019

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 128,652
Equity in Pooled Cash and Investments	14,270
Due from Other Governments	<u>29,837</u>
Total Assets	<u>\$ 172,759</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 42,317
Due to Litigants, Heirs, and Others	128,652
Due to Joint Venture	<u>1,790</u>
Total Liabilities	<u>\$ 172,759</u>

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

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**LAKE COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**LAKE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

**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. Net debt issues totaling \$1,694,232 were contributed by the county to the school department during the year ended June 30, 2019.

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.

**Education Capital Projects Fund** – This fund accounts for debt issued by Lake County that is subsequently contributed to the discretely presented Lake County School Department for construction and renovation projects.

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 .64 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. Restricted Assets**

Restricted assets also consist of amounts held in a pension stabilization trust by the Tennessee Consolidated Retirement System (TCRS) for the benefit of the discretely presented Lake County School Department's Teacher Retirement Plan. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to the school system in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an

irrevocable agreement and may only be used for the benefit of the Lake County School Department to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the Lake County School Department has not withdrawn any funds from the trust to pay pension cost. Trust documents provide that the funds are not subject to the claims of general creditors of the school department.

**4. Capital Assets**

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

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

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

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

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

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items

are reported in the government-wide Statement of Net Position. These items are for the deferred charge on refunding, pension changes in experience, pension and OPEB changes in assumptions, 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 and OPEB changes in experience, pension changes in investment earnings, pension and OPEB 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.

## **6. Compensated Absences**

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

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

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

It is the policy of the discretely presented Lake County School Department to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees

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

7. **Long-term Debt and 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.

8. **Net Position and Fund Balance**

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages,

notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2019, Lake County had \$6,450,232 in outstanding debt for capital purposes for the discretely presented Lake County School Department. This debt is a liability of Lake County, but the capital assets acquired are reported in the financial statements of the school department. Therefore, Lake County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the county commission, the county's highest level of decision-making authority and the Board of Education, the school department's highest level of



decision-making authority, and shall remain binding unless removed in the same manner.

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

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

**E. Pension Plans**

**Primary Government**

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

**Discretely Presented Lake County School Department**

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

**F. Other Postemployment Benefit (OPEB) Plan**

**Discretely Presented Lake County School Department**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Lake County School Department. For this purpose, the school department recognizes benefit payments when due and payable in accordance with benefit terms. The school department's OPEB plan is not administered through a trust.

**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) and the primary government's Education Capital Projects Fund, which are 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 \$4,183 at June 30, 2019. 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 \$202,345 from the county's General Fund for personal use. The bookkeeper pled guilty and was ordered to pay \$53,345 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 \$18,400

restitution leaving an outstanding balance of \$17,445 due the county at June 30, 2019.

**D. Expenditures Exceeded Appropriations**

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>
General:	
General Government - County Commission	\$ 255
General Government - County Mayor/Executive	309
General Government- County Buildings	3,557
Administration of Justice - Juvenile Court	1,406
Administration of Justice - Courtroom Security	1,997
Social, Cultural, and Recreational Services - Senior Citizens Assistance	3,766
Other Operations - Tourism	1,000
Other Operations - Other Charges	882
Solid Waste/Sanitation	
Public Health and Welfare - Waste Incinerator	8,062
General Debt Service:	
Principal on Debt - Education	1,190
Other Debt Service - General Government	2,786

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations in the General and General Debt Service funds were funded by available fund balances.

**E. Appropriations Exceeded Estimated Available Funding**

The budget and subsequent amendments approved by the county commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$24,097.

**F. The County Mayor Failed to Comply with State Statutes when Issuing Debt**

The county mayor failed to comply with state statutes when issuing notes and an other loan and when entering into a lease-purchase agreement. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

#### 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, 2019.

### **TCRS Stabilization Trust**

**Legal Provisions.** The Lake County School Department is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The school department has placed funds into the irrevocable trust as authorized by 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 trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the school department.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Lake County School Department may not impose any restrictions on investments placed by the trust on their behalf.

**Investment Balances.** Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of

the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value (“NAV”) per share have no readily determinable fair value and have been determined using amortized cost, which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan’s custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2019, the Lake County School Department had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 9,054
Developed Market International Equity	N/A	N/A	4,089
Emerging Market International Equity	N/A	N/A	1,168
U.S. Fixed Income	N/A	N/A	5,841
Real Estate	N/A	N/A	2,920
Short-term Securities	N/A	N/A	292
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	5,841
Total			\$ 29,205



Investment by Fair Value Level	Fair Value 6-30-19	Fair Value Measurements Using			Amortized
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Cost
					NAV
U.S. Equity	\$ 9,054	\$ 9,054	0	0	0
Developed Market					
International Equity	4,089	4,089	0	0	0
Emerging Market					
International Equity	1,168	1,168	0	0	0
U.S. Fixed Income	5,841	0	5,841	0	0
Real Estate	2,920	0	0	2,920	0
Short-term Securities	292	0	292	0	0
Private Equity and Strategic Lending	5,841	0	0	0	5,841
Total	\$ 29,205	\$ 14,311	\$ 6,133	\$ 2,920	\$ 5,841

**Risks and Uncertainties.** The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Lake County School Department does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Lake County School Department does not have the ability to limit the credit ratings of individual investments made by the trust.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Lake County School Department places no limit on the amount the county may invest in one issuer.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that

are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Lake County School Department to pay retirement benefits of the school department employees.

For further information concerning the school department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ag18092.pdf>.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2019, was as follows:

**Primary Government – Governmental Activities**

	Balance 7-1-18	Increases	Decreases	Balance 6-30-19
Capital Assets				
Not Depreciated:				
Land	\$ 2,365,169	\$ 0	\$ 0	\$ 2,365,169
Total Capital Assets				
Not Depreciated	\$ 2,365,169	\$ 0	\$ 0	\$ 2,365,169
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,734,245	\$ 0	\$ 0	\$ 3,734,245
Infrastructure	5,006,376	390,237	0	5,396,613
Other Capital Assets	5,012,497	339,663	(47,500)	5,304,660
Total Capital Assets				
Depreciated	\$ 13,753,118	\$ 729,900	\$ (47,500)	\$ 14,435,518
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,801,157	\$ 117,006	\$ 0	\$ 2,918,163
Infrastructure	1,431,273	226,575	0	1,657,848
Other Capital Assets	3,905,448	303,565	(47,500)	4,161,513
Total Accumulated				
Depreciation	\$ 8,137,878	\$ 647,146	\$ (47,500)	\$ 8,737,524
Total Capital Assets				
Depreciated, Net	\$ 5,615,240	\$ 82,754	\$ 0	\$ 5,697,994
Governmental Activities				
Capital Assets, Net	\$ 7,980,409	\$ 82,754	\$ 0	\$ 8,063,163

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

**Governmental Activities:**

General Government	\$	18,086
Finance		691
Administration of Justice		2,182
Public Safety		141,070
Public Health and Welfare		161,827
Social, Cultural, and Recreational Services		4,760
Agriculture and Natural Resources		493
Highway/Public Works		<u>318,037</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>647,146</u>

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

	Balance 7-1-18	Increases	Balance 6-30-19
Capital Assets			
Not Depreciated:			
Land	\$ 67,365	\$ 0	\$ 67,365
Total Capital Assets Not Depreciated	<u>\$ 67,365</u>	<u>\$ 0</u>	<u>\$ 67,365</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 10,321,526	\$ 1,781,409	\$ 12,102,935
Other Capital Assets	1,577,192	24,200	1,601,392
Total Capital Assets Depreciated	<u>\$ 11,898,718</u>	<u>\$ 1,805,609</u>	<u>\$ 13,704,327</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,331,062	\$ 317,781	\$ 6,648,843
Other Capital Assets	1,334,947	73,380	1,408,327
Total Accumulated Depreciation	<u>\$ 7,666,009</u>	<u>\$ 391,161</u>	<u>\$ 8,057,170</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,232,709</u>	<u>\$ 1,414,448</u>	<u>\$ 5,647,157</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,300,074</u>	<u>\$ 1,414,448</u>	<u>\$ 5,714,522</u>

There were no decreases in capital assets to report during the year ended June 30, 2019. Depreciation expense was charged to functions of the discretely presented Lake County School Department as follows:

**Governmental Activities:**

Instruction	\$ 275,424
Support Services	101,217
Operation of Non-instructional Services	<u>14,520</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 391,161</u>

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2019, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 3,028

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

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
School Department:	Primary Government:	
General Purpose School	General	\$ 20,000

**D. Capital Lease**

On December 18, 2018, Lake County entered into a five-year lease-purchase agreement for a wheel loader. The terms of the agreement require total lease payments of \$107,517 plus interest payments of 4.89 percent. Title to the loader transfers to Lake County at the end of the lease period. The lease payments are made from the Solid Waste/Sanitation Fund.

The asset acquired through the capital lease is as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 107,517
Less: Accumulated Depreciation	<u>(12,544)</u>
Total Book Value	<u>\$ 94,973</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2020	\$ 20,233
2021	20,233
2022	20,233
2023	20,233
2024	<u>34,753</u>
Total Minimum Lease Payments	\$ 115,685
Less: Amount Representing Interest	<u>(14,012)</u>
Present Value of Minimum Lease Payments	<u>\$ 101,673</u>

**E. Long-term Debt**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

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. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority 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, 2019, will be retired from the General Debt Service Fund.

Direct Borrowing and Direct Placements - Lake County issues other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented school department. Capital outlay notes are also issued to fund capital facilities and other capital

outlay purchases, such as equipment. Capital outlay notes, and other loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. The capital outlay note and other loan outstanding were issued for original terms of four years for the note and 17 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The note and other loan included in long-term debt as of June 30, 2019, will be retired from the General and General Debt Service funds.

General obligation bonds, the capital outlay note, the other loan, and the capital lease outstanding as of June 30, 2019, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-19
General Obligation Bonds	2 to 3.125 %	6-1-30	\$ 1,165,000	\$ 890,000
General Obligation Refunding Bonds	.4 to 4	6-1-37	10,225,000	8,180,000
Direct Borrowing and Direct Placement:				
Capital Outlay Note	5.5	7-12-22	60,000	47,360
Other Loan	1.5	8-1-35	1,694,232	1,694,232
Capital Lease	4.89	12-18-23	107,517	101,673

During the year, Lake County entered into an agreement with the Tennessee Energy Efficient Schools Council to receive funding from the Energy Efficient Schools Initiative program. Under this agreement, the program loaned Lake County \$1,694,232 to fund a project to increase energy efficiency in the Lake County school system. The loan has an interest rate of 1.5 percent.

The annual requirements to amortize all general obligation bonds, the capital outlay note, and the other loan outstanding as of June 30, 2019, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2025-2029	2,765,000	969,588	3,734,588
2030-3034	2,815,000	510,191	3,325,191
2035-2037	1,080,000	65,900	1,145,900
Total	<u>\$ 9,070,000</u>	<u>\$ 2,878,304</u>	<u>\$ 11,948,304</u>

Year Ending June 30	Note - Direct Placement		
	Principal	Interest	Total
2020	\$ 14,524	\$ 2,246	\$ 16,770
2021	15,349	1,421	16,770
2022	16,213	558	16,771
2023	1,274	6	1,280
Total	<u>\$ 47,360</u>	<u>\$ 4,231</u>	<u>\$ 51,591</u>

Year Ending June 30	Other Loan - Direct Placement		
	Principal	Interest	Total
2020	\$ 78,570	\$ 20,740	\$ 99,310
2021	95,592	23,580	119,172
2022	97,032	22,140	119,172
2023	98,496	20,676	119,172
2024	99,984	19,188	119,172
2025-2029	523,056	72,804	595,860
2030-3034	563,772	32,088	595,860
2035-2036	137,730	1,270	139,000
Total	<u>\$ 1,694,232</u>	<u>\$ 212,486</u>	<u>\$ 1,906,718</u>

There is \$245,895 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,158, based on the 2010 federal census. Total debt per capita, including bonds, the note, the other loan, the capital lease, unamortized debt premiums, and unamortized debt discounts totaled \$1,397, based on the 2010 federal census.

Changes in Long-term Debt

Long-term debt activity for the year ended June 30, 2019, was as follows:

Governmental Activities:	Bonds	Note - Direct Placement	Other Loan - Direct Placement
Balance, July 1, 2018	\$ 9,520,000	\$ 0	\$ 0
Additions	0	60,000	1,694,232
Reductions	(450,000)	(12,640)	0
Balance, June 30, 2019	<u>\$ 9,070,000</u>	<u>\$ 47,360</u>	<u>\$ 1,694,232</u>
Balance Due Within One Year	<u>\$ 460,000</u>	<u>\$ 14,524</u>	<u>\$ 78,570</u>

	Capital Lease
Balance, July 1, 2018	\$ 16,370
Additions	107,517
Reductions	<u>(22,214)</u>
Balance, June 30, 2019	<u>\$ 101,673</u>
Balance Due Within One Year	<u>\$ 15,688</u>

Analysis of Noncurrent Liabilities for Debt Presented on Exhibit A:

Total Noncurrent Liabilities - Debt, June 30, 2019	\$ 10,913,265
Add: Unamortized Premium on Debt	36,553
Less: Unamortized Discount on Debt	(9,332)
Less: Balance Due Within One Year - Debt	<u>(568,782)</u>
Noncurrent Liabilities - Due in More Than One Year - Debt - Exhibit A	<u>\$ 10,371,704</u>

**F. Long-term Obligations**

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2019, was as follows:



Governmental Activities:

	Compensated Absences	Net Pension Liability
Balance, July 1, 2018	\$ 252,135	\$ 168,995
Additions	100,278	687,403
Reductions	(113,457)	(744,657)
	<hr/>	<hr/>
Balance, June 30, 2019	\$ 238,956	\$ 111,741
	<hr/>	<hr/>
Balance Due Within One Year	\$ 11,949	\$ 0
	<hr/>	<hr/>

Analysis of Other Noncurrent Liabilities Presented on Exhibit A:

Total Other Noncurrent Liabilities, June 30, 2019	\$ 350,697
Less: Balance Due Within One Year - Other	<u>(11,949)</u>
Other Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 338,748</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, 2019, was as follows:

	Compensated Absences	Net Pension Liability - Agent Plan	Other Postemployment Benefits
Balance, July 1, 2018	\$ 40,231	\$ 45,820	\$ 1,373,915
Additions	41,895	272,255	161,937
Reductions	(40,231)	(273,818)	(651,704)
	<hr/>	<hr/>	<hr/>
Balance, June 30, 2019	\$ 41,895	\$ 44,257	\$ 884,148
	<hr/>	<hr/>	<hr/>
Balance Due Within One Year	\$ 2,095	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>

Analysis of Other Noncurrent Liabilities Presented on Exhibit A:

Total Other Noncurrent Liabilities, June 30, 2019	\$ 970,300
Less: Due Within One Year - Other	<u>(2,095)</u>
Other Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 968,205</u>

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

**G. 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 \$26,785. The school department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

During the year, Lake County borrowed \$150,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. These loans were retired prior to June 30, 2019, 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, 2019, was as follows:

	Balance 7-1-18	Issued	Paid	Balance 6-30-19
Tax Anticipation Note	\$ 0	\$ 150,000	\$ (150,000)	\$ 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 (LWCF), a public entity risk pool, established under the provisions of Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

#### 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. 83, *Certain Asset Retirement Obligations*; Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* became effective for the year ended June 30, 2019. In addition, Lake County early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes accounting and reporting requirements for certain asset retirement obligations (AROs) associated with tangible capital assets. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, and expense/expenditures. In addition, this standard establishes note disclosure requirements for AROs.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* addresses note disclosure requirements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should report when disclosing information related to debt. These required disclosures include direct borrowings and direct placements, unused lines of credit, assets pledged as collateral for debt, terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant acceleration clauses.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period* amends paragraphs 5 through 22 of GASB Statement No. 62. This standard establishes that interest cost incurred before the end of a construction period should be recognized as an expense/expenditure. The changes adopted to conform with this standard are to be applied prospectively.

**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 71.63 percent and the non-certified employees of the discretely presented school department comprised 28.37 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/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies](http://www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies).

*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, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	81
Inactive Employees Entitled to But Not Yet Receiving Benefits	160
Active Employees	109
 Total	 <u><u>350</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, 2019, the employer contribution for Lake County was \$187,013 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, 2018, 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, 2018, 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 3.44% 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, 2018, 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 Real Estate	5.79	20
	2.01	20
	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.

*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	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a)-(b)
Balance, July 1, 2017	\$ 8,641,719	\$ 8,426,904	\$ 214,815
Changes for the Year:			
Service Cost	\$ 186,180	\$ 0	\$ 186,180
Interest	623,045	0	623,045
Differences Between Expected and Actual Experience	140,481	0	140,481
Changes in Assumptions	0	0	0
Contributions-Employer	0	174,720	(174,720)
Contributions-Employees	0	150,621	(150,621)
Net Investment Income	0	693,134	(693,134)
Benefit Payments, Including Refunds of Employee Contributions	(468,343)	(468,343)	0
Administrative Expense	0	(9,952)	9,952
Other Changes	0	0	0
Net Changes	<u>\$ 481,363</u>	<u>\$ 540,180</u>	<u>\$ (58,817)</u>
Balance, June 30, 2018	<u>\$ 9,123,082</u>	<u>\$ 8,967,084</u>	<u>\$ 155,998</u>

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

		Total	Plan	Net
		Pension	Fiduciary	Pension
		Liability	Net	Liability
			Position	(Asset)
Primary Government	71.63%	\$ 6,534,864	\$ 6,423,122	\$ 111,741
School Department	28.37%	<u>2,588,218</u>	<u>2,543,962</u>	<u>44,257</u>
Total		<u>\$ 9,123,082</u>	<u>\$ 8,967,084</u>	<u>\$ 155,998</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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
--	-------------------------	--------------------------------------	-------------------------

Net Pension Liability (Asset) \$ 1,134,025 \$ 155,998 \$ (670,487)

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

*Pension Expense.* For the year ended June 30, 2019, Lake County recognized pension expense of \$66,625.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, 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	\$ 285,754	\$ 49,889
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	35,158
Changes in Assumptions	166,843	0
Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	187,013	N/A
<b>Total</b>	<b>\$ 639,610</b>	<b>\$ 85,047</b>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2018,” 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	\$ 457,073	\$ 60,919
School Department	182,537	24,128
Total	<u>\$ 639,610</u>	<u>\$ 85,047</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
2020	\$ 220,441
2021	205,634
2022	(40,981)
2023	(17,544)
2024	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 71.63 percent and the non-certified employees of the discretely presented school department comprised 28.37 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/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies](http://www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies).

*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, 2019, to the Teacher Retirement Plan were \$26,225, which is 1.94 percent of covered payroll. In addition, employer contributions of \$27,731, which is 2.06 percent of covered payroll were made to the Pension Stabilization Reserve Trust Fund to fund future pension costs. The employer rate, when combined with member contributions and the stabilization reserve trust funds, 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, 2019, the school department reported a liability (asset) of (\$51,481) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, 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, 2018, the school department's proportion was .113513 percent. The proportion as of June 30, 2017, was zero percent.

*Pension Expense.* For the year ended June 30, 2019, the school department recognized pension expense of \$15,615.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, 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	\$ 2,916	\$ 2,051
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,908
Changes in Assumptions	2,429	0
Changes in Proportion of Net Pension Liability (Asset)	3,470	27,476
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018 (1)	26,225	N/A
Total	<u>\$ 35,040</u>	<u>\$ 32,435</u>

The school department's employer contributions of \$26,225, 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, 2020. 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
2020	\$ (2,341)
2021	(2,434)
2022	(2,848)
2023	(2,088)
2024	(1,701)
Thereafter	(12,208)

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, 2018, 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 3.44% 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, 2018, 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.

*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 (Asset) \$ 7,959 \$ (51,481) \$ 95,275

*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/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies](http://www.treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies).

*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, 2019, to the Teacher Legacy Pension Plan were \$307,392, which is 10.46 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 (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liability (Assets).* At June 30, 2019, the school department reported a liability (asset) of (\$324,583) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, 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, 2018, the school department's proportion was .092239 percent. The proportion measured at June 30, 2017, was .092943 percent.

*Pension Expense (Negative Pension Expense).* For the year ended June 30, 2019, the school department recognized (negative) pension expense of (\$117,388).

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, 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	\$ 65,609	\$ 437,888
Changes in Assumptions	191,700	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	70,643
Changes in Proportion of Net Pension Liability (Asset)	10,900	73,173
LEA's Contributions Subsequent to the Measurement Date of June 30, 2018	307,392	N/A
Total	<u>\$ 575,601</u>	<u>\$ 581,704</u>

The school department's employer contributions of \$307,392 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, 2020. 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
2020	\$ 42,436
2021	(128,131)
2022	(197,312)
2023	(30,488)
2024	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, 2018, 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 3.44% 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, 2018, 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 Real Estate	5.79		20	
	2.01		20	
	4.32		10	
Short-term Securities	0.00		1	
			100	%
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.

*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 (Asset) \$ 2,052,088 \$ (324,583) \$ (2,663,259)

*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 \$62,260 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 its 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, 2018, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and other inputs.* The total OPEB liability in the June 30, 2018, 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, 2018, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.62%
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 6.75% for the 2019 calendar year, and gradually decreasing over a 32-year period to an ultimate trend rate of 3.53% with .32% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed below

The discount rate was 3.62 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AS 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, 2018, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2018, Pension Actuarial Valuation of the 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 percent load for males and a -3 percent 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 percent load.

*Changes in Assumptions.* The discount rate changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of the measurement date of June 30, 2018. The assumed initial costs and premium amounts were revised to reflect rates adopted for the 2019 plan year. The assumed initial trend rate applicable to the 2019 plan year was revised from 5.4 percent to 6.75 percent.

### **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 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent 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, 2018, the following employees were covered by the benefit terms:



	<u>School Department</u>
Retirees and Beneficiaries	6
Inactive. Nonretired Members	0
Active Members Eligible for Future Benefits	79
Active Members not Eligible for Future Benefits	7
 Total	 <u><u>92</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 \$57,423 to the LEP for OPEB benefits as they came due.

#### Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	Lake County School Department 70.622%	State of TN 29.378%	Total OPEB Liability
Balance July 1, 2017	\$ 1,373,915	\$ 478,594	\$ 1,852,509
Changes for the Year:			
Service Cost	\$ 84,537	\$ 35,166	\$ 119,703
Interest	48,630	20,230	68,860
Changes in Benefit Terms	(207,692)	(86,398)	(294,090)
Difference between Expected and Actuarial Experience	(324,771)	(135,102)	(459,873)
Changes in Proportion	(65,638)	65,638	0
Changes in Assumption and Other Inputs	28,771	11,968	40,739
Benefit Payments	(53,603)	(22,299)	(75,902)
Net Changes	<u>\$ (489,767)</u>	<u>\$ (110,796)</u>	<u>\$ (600,563)</u>
Balance June 30, 2018	<u>\$ 884,148</u>	<u>\$ 367,798</u>	<u>\$ 1,251,946</u>

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 (\$38,552) 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 70.622 percent and the State of Tennessee's share was 29.378 percent.

*OPEB Expense (Negative OPEB Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2019, the school department recognized negative OPEB expense of (\$153,532), including the state's share of the expense. At June 30, 2019, 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
Difference Between Expected and Actual Experience	\$ 0	\$ 293,841
Changes of Assumptions/Inputs	26,031	50,262
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employer and Nonemployer Contributors As Benefits Came Due	0	62,250
Benefits Paid After the Measurement Date of June 30, 2018	<u>57,423</u>	<u>0</u>
Total	<u>\$ 83,454</u>	<u>\$ 406,353</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
2020	\$ (40,455)
2021	(40,455)
2022	(40,455)
2023	(40,455)
2024	(40,455)
Thereafter	(178,047)

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
	2.62%	3.62%	4.62%

Proportionate Share of the Collective Total OPEB Liability	\$ 940,279	\$ 884,148	\$ 830,415
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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
	5.75 to 2.85%	6.75 to 3.85%	7.75 to 4.85%

Proportionate Share of the Collective Total OPEB Liability	\$ 796,631	\$ 884,148	\$ 987,490
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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 10, 2019, Lake County issued tax anticipation notes totaling \$400,000 to provide temporary operating funds for the General Fund.

On July 26, 2019, Lake County issued capital outlay notes totaling \$62,000 for capital improvements.

**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, 2019, 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 five to 40 years. The district adopted a capitalization policy that sets the capitalization threshold at \$5,000 per unit cost.

**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**

**1. Budgetary Information**

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, with the exception of outlays for capital items budgeted as expenses.

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. At June 30, 2019, the district had three individual expenses that exceeded budgeted amounts for a total of \$2,121.

**2. Invested Cash**

The district invested a certificate of deposit at a credit union during the current year, which is not listed as an allowable investment according to state statutes for emergency communications districts. The amount invested at June 30, 2019, totaled \$104,232.

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, 2019, investments consisted of certificates of deposit only. However, one of the certificates of deposit was held at a credit union (See Note VI.B.2.)

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, 2019, all bank deposits were fully collateralized or insured. A certificate of deposit at a credit union was insured by the National Credit Union Share Insurance Fund.

2. **Capital Assets**

Capital assets activity during the year was as follows:

	Balance 7-1-18	Increases	Balance 6-30-19
Capital Assets			
Depreciated:			
Buildings and Improvements	\$ 42,710	\$ 13,500	\$ 56,210
Furniture and Fixtures	10,807	4,323	15,130
Communications Equipment	477,580	0	477,580
Office Equipment	15,199	0	15,199
Total Capital Assets			
Depreciated:	\$ 546,296	\$ 17,823	\$ 564,119
Less: Accumulated			
Depreciation For:			
Buildings and Improvements	\$ 6,050	\$ 1,743	\$ 7,793
Furniture and Fixtures	5,857	1,189	7,046
Communications Equipment	365,806	25,428	391,234
Office Equipment	9,289	1,448	10,737
Total Accumulated			
Deprecation	\$ 387,002	\$ 29,808	\$ 416,810
Capital Assets, Net	\$ 159,294	\$ (11,985)	\$ 147,309

**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.



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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	2018
<b>Total Pension Liability</b>					
Service Cost	\$ 188,457	\$ 187,866	\$ 178,580	\$ 187,842	\$ 186,180
Interest	534,699	529,301	559,368	570,709	623,045
Differences Between Actual and Expected Experience	(521,913)	6,551	(199,556)	360,787	140,481
Change of Assumptions	0	0	0	333,687	0
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(300,035)	(327,042)	(465,836)	(468,343)
Net Change in Total Pension Liability	\$ (43,977)	\$ 423,683	\$ 211,350	\$ 987,189	\$ 481,363
Total Pension Liability, Beginning	7,063,474	7,019,497	7,443,180	7,654,530	8,641,719
Total Pension Liability, Ending (a)	\$ 7,019,497	\$ 7,443,180	\$ 7,654,530	\$ 8,641,719	\$ 9,123,082
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 167,023	\$ 161,991	\$ 169,326	\$ 170,573	\$ 174,720
Contributions - Employee	147,505	137,640	143,803	146,793	150,621
Net Investment Income	1,039,693	225,295	199,647	865,706	693,134
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(300,035)	(327,042)	(465,836)	(468,343)
Administrative Expense	(4,721)	(5,254)	(8,225)	(10,585)	(9,952)
Other	0	0	0	3,290	0
Net Change in Plan Fiduciary Net Position	\$ 1,104,280	\$ 219,637	\$ 177,509	\$ 709,941	\$ 540,180
Plan Fiduciary Net Position, Beginning	6,215,537	7,319,817	7,539,454	7,716,963	8,426,904
Plan Fiduciary Net Position, Ending (b)	\$ 7,319,817	\$ 7,539,454	\$ 7,716,963	\$ 8,426,904	\$ 8,967,084
Net Pension Liability (Asset), Ending (a - b)	\$ (300,320)	\$ (96,274)	\$ (62,433)	\$ 214,815	\$ 155,998
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.28%	101.29%	100.82%	97.51%	98.29%
Covered Payroll	\$ 2,869,787	\$ 2,788,136	\$ 2,927,063	\$ 2,935,835	\$ 3,012,402
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(10.46)%	3.45%	(2.13)%	7.32%	5.18%

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

Note: The agent plan is a single plan reported under one account with the Tennessee Consolidated Retirement System. This plan covers employees of the 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	2019
Actuarially Determined Contribution	\$ 167,023	\$ 161,991	\$ 169,326	\$ 170,573	\$ 174,720	\$ 187,013
Less Contributions in Relation to the Actuarially Determined Contribution	(167,023)	(161,991)	(169,326)	(170,573)	(174,720)	(187,013)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 2,869,787	\$ 2,788,136	\$ 2,927,063	\$ 2,935,835	\$ 3,012,402	\$ 3,224,362
Contributions as a Percentage of Covered Payroll	5.82%	5.81%	5.78%	5.81%	5.80%	5.80%

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

Note: The agent plan is a single plan reported under one account with the Tennessee Consolidated Retirement System. This plan covers employees of the primary government and non-certified employees of the discretely presented School Department.

Exhibit E-3

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

	2015	2016	2017	2018	2019*
Contractually Required Contribution	\$ 9,633	\$ 1,824	\$ 0	\$ 16,176	\$ 26,225
Less Contributions in Relation to the Contractually Required Contributions	(9,633)	(1,824)	0	(39,679)	(26,225)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ (23,503)	\$ 0
Covered Payroll	\$ 240,819	\$ 45,591	\$ 0	\$ 1,003,549	\$ 1,351,804
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	0.00%	3.95%	1.94%

\* In FY 2019 the School Department placed the actuarially determined contribution rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

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	2019
Contractually Required Contribution	\$ 382,847	\$ 355,362	\$ 345,132	\$ 297,007	\$ 293,277	\$ 307,392
Less Contributions in Relation to the Contractually Required Contribution	(382,847)	(355,362)	(345,132)	(297,007)	(293,277)	(307,392)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 4,311,341	\$ 3,930,998	\$ 3,817,833	\$ 3,285,478	\$ 3,218,348	\$ 2,938,738
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.11%	10.46%

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

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.115904%	0.010361%	0.000000%	0.113513%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (4,663)	\$ (1,079)	\$ (1)	\$ (51,481)
Covered Payroll	\$ 240,819	\$ 45,591	\$ 0	1,003,549
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	0.00%	(5.13)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	0.00%	126.97%

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

	2014	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.109843%	0.105009%	0.105763%	0.092943%	0.092239%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (17,849)	\$ 43,015	\$ 660,960	\$ (30,410)	\$ (324,583)
Covered Payroll	\$ 4,311,341	\$ 3,930,998	\$ 3,817,833	\$ 3,285,478	\$ 3,218,348
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.414002)%	1.094254%	17.31%	(.93)%	(10.09)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%	101.49%

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

	2017	2018
<b>Total OPEB Liability</b>		
Service Cost	\$ 128,864	\$ 119,703
Interest	55,891	68,860
Changes in Benefit Terms	0	(294,090)
Differences Between Actual and Expected Experience	0	(459,873)
Changes in Assumptions or Other Inputs	(87,346)	40,739
Benefit Payments	(60,226)	(75,902)
Net Change in Total OPEB Liability	\$ 37,183	\$ (600,563)
Total OPEB Liability, Beginning	1,815,326	1,852,509
Total OPEB Liability, Ending	<u>\$ 1,852,509</u>	<u>\$ 1,251,946</u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 478,594	\$ 367,798
Employer Proportionate Share of the Total OPEB Liability	1,373,915	884,148
Covered Employee Payroll	\$ 5,278,376	\$ 5,200,636
Net OPEB Liability as a Percentage of Covered Employee Payroll	26.03%	17.00%

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%
2019	3.62%



**LAKE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2019**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017, 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	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.44% Based on Age, Including Inflation Averaging 4%
Investment Rate of Return	7.25%, 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
Cost of Living Adjustments	2.25%

*Changes of Assumptions:* In 2017, the following assumptions were changed: (1) decreased the inflation rate from 3.0 to 2.5 percent; (2) decreased the investment rate from 7.5 to 7.25 percent; (3) decreased the cost-of-living adjustment from 2.5 to 2.25 percent; (4) decreased the salary growth rate graded ranges from an average of 4.25 to 4.0 percent; and (5) modified the mortality assumptions.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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, 2019

	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	1,059	\$ 1,059
Equity in Pooled Cash and Investments	19,444	626	20,416	0	40,486
Accounts Receivable	0	0	0	1,068	1,068
Due from Other Governments	0	1,039	0	0	1,039
Property Taxes Receivable	0	85,382	0	0	85,382
Allowance for Uncollectible Property Taxes	0	(1,025)	0	0	(1,025)
Total Assets	\$ 19,444	\$ 86,022	\$ 20,416	\$ 2,127	\$ 128,009
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 3,060	\$ 0	\$ 0	\$ 3,060
Payroll Deductions Payable	0	1,917	0	0	1,917
Due to Other Funds	0	901	0	2,127	3,028
Due to State of Tennessee	0	75	0	0	75
Total Liabilities	\$ 0	\$ 5,953	\$ 0	\$ 2,127	\$ 8,080
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 0	\$ 82,524	\$ 0	\$ 0	\$ 82,524
Deferred Delinquent Property Taxes	0	1,728	0	0	1,728
Total Deferred Inflows of Resources	\$ 0	\$ 84,252	\$ 0	\$ 0	\$ 84,252

(Continued)

Exhibit F-1

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

	<u>Special Revenue Funds</u>				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	\$ 19,444	\$ 0	\$ 0	\$ 0	\$ 19,444
Restricted for Public Safety	0	0	20,416	0	20,416
Unassigned	0	(4,183)	0	0	(4,183)
Total Fund Balances	<u>\$ 19,444</u>	<u>\$ (4,183)</u>	<u>\$ 20,416</u>	<u>\$ 0</u>	<u>\$ 35,677</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,444</u>	<u>\$ 86,022</u>	<u>\$ 20,416</u>	<u>\$ 2,127</u>	<u>\$ 128,009</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, 2019

	Special Revenue Funds			Total
	Law	Solid	Drug	Nonmajor
	Library	Waste / Sanitation	Control	Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 1,533	\$ 85,469	\$ 0	\$ 87,002
Fines, Forfeitures, and Penalties	0	0	12,014	12,014
Charges for Current Services	0	936	0	936
Other Local Revenues	0	13,537	0	13,537
State of Tennessee	0	1,039	0	1,039
Other Governments and Citizens Groups	0	35,224	500	35,724
Total Revenues	<u>\$ 1,533</u>	<u>\$ 136,205</u>	<u>\$ 12,514</u>	<u>\$ 150,252</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 17	\$ 0	\$ 0	\$ 17
Public Safety	0	0	31,268	31,268
Public Health and Welfare	0	220,319	0	220,319
Debt Service:				
Principal on Debt	0	22,214	0	22,214
Interest on Debt	0	2,970	0	2,970
Total Expenditures	<u>\$ 17</u>	<u>\$ 245,503</u>	<u>\$ 31,268</u>	<u>\$ 276,788</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,516</u>	<u>\$ (109,298)</u>	<u>\$ (18,754)</u>	<u>\$ (126,536)</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 0	\$ 107,517	\$ 0	\$ 107,517
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 107,517</u>	<u>\$ 0</u>	<u>\$ 107,517</u>
Net Change in Fund Balances	\$ 1,516	\$ (1,781)	\$ (18,754)	\$ (19,019)
Fund Balance, July 1, 2018	17,928	(2,402)	39,170	54,696
Fund Balance, June 30, 2019	<u>\$ 19,444</u>	<u>\$ (4,183)</u>	<u>\$ 20,416</u>	<u>\$ 35,677</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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,533	\$ 4,400	\$ 4,400	\$ (2,867)
Total Revenues	\$ 1,533	\$ 4,400	\$ 4,400	\$ (2,867)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 17	\$ 0	\$ 0	\$ (17)
Total Expenditures	\$ 17	\$ 0	\$ 0	\$ (17)
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,516	\$ 4,400	\$ 4,400	\$ (2,884)
Net Change in Fund Balance	\$ 1,516	\$ 4,400	\$ 4,400	\$ (2,884)
Fund Balance, July 1, 2018	17,928	20,158	20,158	(2,230)
Fund Balance, June 30, 2019	\$ 19,444	\$ 24,558	\$ 24,558	\$ (5,114)

## 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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 85,469	\$ 79,063	\$ 79,063	\$ 6,406
Charges for Current Services	936	0	0	936
Other Local Revenues	13,537	0	0	13,537
State of Tennessee	1,039	1,000	1,000	39
Other Governments and Citizens Groups	35,224	35,124	35,124	100
Total Revenues	<u>\$ 136,205</u>	<u>\$ 115,187</u>	<u>\$ 115,187</u>	<u>\$ 21,018</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 190,641	\$ 85,450	\$ 182,579	\$ (8,062)
Other Waste Disposal	29,678	41,500	36,500	6,822
<u>Other Operations</u>				
Other Charges	0	2,050	2,050	2,050
<u>Principal on Debt</u>				
General Government	22,214	0	22,214	0
<u>Interest on Debt</u>				
General Government	2,970	0	2,970	0
Total Expenditures	<u>\$ 245,503</u>	<u>\$ 129,000</u>	<u>\$ 246,313</u>	<u>\$ 810</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (109,298)</u>	<u>\$ (13,813)</u>	<u>\$ (131,126)</u>	<u>\$ 21,828</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	<u>\$ 107,517</u>	<u>\$ 0</u>	<u>\$ 107,517</u>	<u>\$ 0</u>
Total Other Financing Sources	<u>\$ 107,517</u>	<u>\$ 0</u>	<u>\$ 107,517</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (1,781)	\$ (13,813)	\$ (23,609)	\$ 21,828
Fund Balance, July 1, 2018	<u>(2,402)</u>	<u>(488)</u>	<u>(488)</u>	<u>(1,914)</u>
Fund Balance, June 30, 2019	<u>\$ (4,183)</u>	<u>\$ (14,301)</u>	<u>\$ (24,097)</u>	<u>\$ 19,914</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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,014	\$ 6,000	\$ 6,000	\$ 6,014
Other Governments and Citizens Groups	500	0	0	500
Total Revenues	<u>\$ 12,514</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,514</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 31,268	\$ 35,000	\$ 35,000	\$ 3,732
Total Expenditures	<u>\$ 31,268</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 3,732</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (18,754)</u>	<u>\$ (29,000)</u>	<u>\$ (29,000)</u>	<u>\$ 10,246</u>
Net Change in Fund Balance	\$ (18,754)	\$ (29,000)	\$ (29,000)	\$ 10,246
Fund Balance, July 1, 2018	<u>39,170</u>	<u>39,170</u>	<u>39,170</u>	<u>0</u>
Fund Balance, June 30, 2019	<u>\$ 20,416</u>	<u>\$ 10,170</u>	<u>\$ 10,170</u>	<u>\$ 10,246</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 519,740	\$ 529,981	\$ 529,981	\$ (10,241)
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 644,740</u>	<u>\$ 654,981</u>	<u>\$ 654,981</u>	<u>\$ (10,241)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 222,000	\$ 165,000	\$ 222,000	\$ 0
Education	228,000	285,000	226,810	(1,190)
<u>Interest on Debt</u>				
General Government	135,886	97,425	138,401	2,515
Education	163,905	210,481	169,505	5,600
<u>Other Debt Service</u>				
General Government	7,777	3,801	4,991	(2,786)
Total Expenditures	<u>\$ 757,568</u>	<u>\$ 761,707</u>	<u>\$ 761,707</u>	<u>\$ 4,139</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (112,828)</u>	<u>\$ (106,726)</u>	<u>\$ (106,726)</u>	<u>\$ (6,102)</u>
Net Change in Fund Balance	\$ (112,828)	\$ (106,726)	\$ (106,726)	\$ (6,102)
Fund Balance, July 1, 2018	358,723	323,646	323,646	35,077
Fund Balance, June 30, 2019	<u>\$ 245,895</u>	<u>\$ 216,920</u>	<u>\$ 216,920</u>	<u>\$ 28,975</u>

# Fiduciary Funds

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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.

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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, 2019

	Agency Funds					
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 128,652	\$ 0	\$ 128,652
Equity in Pooled Cash and Investments	0	12,480	389	0	1,401	14,270
Due from Other Governments	29,837	0	0	0	0	29,837
Total Assets	<u>\$ 29,837</u>	<u>\$ 12,480</u>	<u>\$ 389</u>	<u>\$ 128,652</u>	<u>\$ 1,401</u>	<u>\$ 172,759</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 29,837	\$ 12,480	\$ 0	\$ 0	\$ 0	\$ 42,317
Due to Litigants, Heirs, and Others	0	0	0	128,652	0	128,652
Due to Joint Venture	0	0	389	0	1,401	1,790
Total Liabilities	<u>\$ 29,837</u>	<u>\$ 12,480</u>	<u>\$ 389</u>	<u>\$ 128,652</u>	<u>\$ 1,401</u>	<u>\$ 172,759</u>

Exhibit H-2

Lake County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2019

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 167,654	\$ 167,654	\$ 0
Due from Other Governments	28,481	29,837	28,481	29,837
Total Assets	\$ 28,481	\$ 197,491	\$ 196,135	\$ 29,837
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 28,481	\$ 197,491	\$ 196,135	\$ 29,837
Total Liabilities	\$ 28,481	\$ 197,491	\$ 196,135	\$ 29,837
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 8,376	\$ 6,723	\$ 2,619	\$ 12,480
Total Assets	\$ 8,376	\$ 6,723	\$ 2,619	\$ 12,480
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 8,376	\$ 12,480	\$ 8,376	\$ 12,480
Total Liabilities	\$ 8,376	\$ 12,480	\$ 8,376	\$ 12,480
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 389	\$ 0	\$ 0	\$ 389
Total Assets	\$ 389	\$ 0	\$ 0	\$ 389
<u>Liabilities</u>				
Due to Joint Venture	\$ 389	\$ 0	\$ 0	\$ 389
Total Liabilities	\$ 389	\$ 0	\$ 0	\$ 389

(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	\$ 190,984	\$ 1,188,977	\$ 1,251,309	\$ 128,652
Total Assets	<u>\$ 190,984</u>	<u>\$ 1,188,977</u>	<u>\$ 1,251,309</u>	<u>\$ 128,652</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 190,984	\$ 1,188,977	\$ 1,251,309	\$ 128,652
Total Liabilities	<u>\$ 190,984</u>	<u>\$ 1,188,977</u>	<u>\$ 1,251,309</u>	<u>\$ 128,652</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	\$ 190,984	\$ 1,188,977	\$ 1,251,309	\$ 128,652
Equity in Pooled Cash and Investments	10,166	174,377	170,273	14,270
Due from Other Governments	28,481	29,837	28,481	29,837
Total Assets	<u>\$ 229,631</u>	<u>\$ 1,393,191</u>	<u>\$ 1,450,063</u>	<u>\$ 172,759</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 36,857	\$ 209,971	\$ 204,511	\$ 42,317
Due to Litigants, Heirs, and Others	190,984	1,188,977	1,251,309	128,652
Due to Joint Venture	1,790	0	0	1,790
Total Liabilities	<u>\$ 229,631</u>	<u>\$ 1,398,948</u>	<u>\$ 1,455,820</u>	<u>\$ 172,759</u>

# Lake County School Department

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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.

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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, 2019

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	\$ 4,681,415	\$ 0	\$ 434,514	\$ (4,246,901)
Support Services	2,927,995	0	202,292	(2,725,703)
Operation of Non-instructional Services	1,084,619	58,365	1,156,309	130,055
Total Governmental Activities	\$ 8,694,029	\$ 58,365	\$ 1,793,115	\$ (6,842,549)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 911,028
Local Option Sales Taxes				325,601
Wheel Tax				39,016
Business Tax				2,279
Grants and Contributions Not Restricted for Specific Programs				7,538,007
Unrestricted Investment Income				1,474
Miscellaneous				7,714
Total General Revenues				\$ 8,825,119
Change in Net Position				\$ 1,982,570
Net Position, July 1, 2018				4,541,692
Net Position, June 30, 2019				\$ 6,524,262

Exhibit I-2

Lake County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Lake County School Department  
June 30, 2019

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,575,223	\$ 11,662	\$ 1,586,885
Accounts Receivable	8,198	0	8,198
Due from Other Governments	95,512	39,198	134,710
Due from Primary Government	20,000	0	20,000
Property Taxes Receivable	827,553	0	827,553
Allowance for Uncollectible Property Taxes	(10,890)	0	(10,890)
Restricted Assets	29,205	0	29,205
Total Assets	<u>\$ 2,544,801</u>	<u>\$ 50,860</u>	<u>\$ 2,595,661</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 195,521	\$ 31,747	\$ 227,268
Accrued Payroll	1,181	0	1,181
Total Liabilities	<u>\$ 196,702</u>	<u>\$ 31,747</u>	<u>\$ 228,449</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 795,248	\$ 0	\$ 795,248
Deferred Delinquent Property Taxes	20,191	0	20,191
Other Deferred/Unavailable Revenue	25,952	0	25,952
Total Deferred Inflows of Resources	<u>\$ 841,391</u>	<u>\$ 0</u>	<u>\$ 841,391</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Instruction	\$ 9,048	\$ 0	\$ 9,048
Restricted for Hybrid Retirement Stabilization Funds	29,205	0	29,205
Committed:			
Committed for Education	7	0	7
Assigned:			
Assigned for Education	0	19,113	19,113
Unassigned	1,468,448	0	1,468,448
Total Fund Balances	<u>\$ 1,506,708</u>	<u>\$ 19,113</u>	<u>\$ 1,525,821</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,544,801</u>	<u>\$ 50,860</u>	<u>\$ 2,595,661</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, 2019

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)		\$	1,525,821
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	67,365	
Add: buildings and improvements net of accumulated depreciation		5,454,092	
Add: other capital assets net of accumulated depreciation		193,065	5,714,522
(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	\$	(44,257)	
Less: compensated absences payable		(41,895)	
Less: net OPEB liability		(884,148)	(970,300)
(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	\$	793,178	
Less: deferred inflows of resources related to pensions		(638,267)	
Add: deferred outflows of resources related to OPEB		83,454	
Less: deferred inflows of resources related to OPEB		(406,353)	(167,988)
(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	\$	51,481	
Add: net pension asset - teacher legacy pension plan		324,583	376,064
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			46,143
Net position of governmental activities (Exhibit A)		\$	<u>6,524,262</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, 2019

	<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	\$ 1,283,152	\$ 0	\$ 1,283,152
Licenses and Permits	482	0	482
Charges for Current Services	58,365	0	58,365
Other Local Revenues	11,459	0	11,459
State of Tennessee	6,262,666	0	6,262,666
Federal Government	567,195	804,276	1,371,471
Other Governments and Citizens Groups	1,694,232	0	1,694,232
<b>Total Revenues</b>	<b>\$ 9,877,551</b>	<b>\$ 804,276</b>	<b>\$ 10,681,827</b>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,220,322	\$ 540,276	\$ 4,760,598
Support Services	2,810,482	269,067	3,079,549
Operation of Non-Instructional Services	1,119,031	560	1,119,591
Capital Outlay	1,698,634	0	1,698,634
Debt Service:			
Other Debt Service	125,000	0	125,000
<b>Total Expenditures</b>	<b>\$ 9,973,469</b>	<b>\$ 809,903</b>	<b>\$ 10,783,372</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (95,918)	\$ (5,627)	\$ (101,545)
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 2,312	\$ 0	\$ 2,312
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 2,312</b>	<b>\$ 0</b>	<b>\$ 2,312</b>
Net Change in Fund Balances	\$ (93,606)	\$ (5,627)	\$ (99,233)
Fund Balance, July 1, 2018	1,600,314	24,740	1,625,054
<b>Fund Balance, June 30, 2019</b>	<b>\$ 1,506,708</b>	<b>\$ 19,113</b>	<b>\$ 1,525,821</b>

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, 2019

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)		\$	(99,233)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,805,609	
Less: current-year depreciation expense		<u>(391,161)</u>	1,414,448
(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, 2019	\$	46,143	
Less: deferred delinquent property taxes and other deferred June 30, 2018		<u>(51,371)</u>	(5,228)
(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	\$	(1,664)	
Change in net OPEB liability		489,767	
Change in deferred outflows related to OPEB		30,208	
Change in deferred inflows related to OPEB		<u>(347,572)</u>	
Change in net pension liability - agent plan		1,563	
Change in net pension asset - teacher retirement plan		51,480	
Change in net pension asset - teacher legacy pension plan		294,173	
Change in deferred outflows related to pensions		23,074	
Change in deferred inflows related to pensions		<u>131,554</u>	<u>672,583</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,982,570</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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,283,152	\$ 1,250,963	\$ 1,250,963	\$ 32,189
Licenses and Permits	482	300	300	182
Charges for Current Services	58,365	72,700	63,031	(4,666)
Other Local Revenues	11,459	5,000	5,000	6,459
State of Tennessee	6,262,666	6,095,437	6,197,581	65,085
Federal Government	567,195	539,000	585,538	(18,343)
Other Governments and Citizens Groups	1,694,232	0	1,694,232	0
Total Revenues	\$ 9,877,551	\$ 7,963,400	\$ 9,796,645	\$ 80,906
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,442,312	\$ 3,635,832	\$ 3,635,831	\$ 193,519
Special Education Program	488,168	469,833	489,393	1,225
Career and Technical Education Program	289,842	213,303	292,335	2,493
<u>Support Services</u>				
Attendance	44,357	41,267	44,592	235
Health Services	94,355	95,000	95,000	645
Other Student Support	159,417	149,969	164,400	4,983
Regular Instruction Program	194,342	192,460	196,419	2,077
Special Education Program	65,216	91,832	65,346	130
Technology	133,295	141,048	141,047	7,752
Other Programs	26,785	0	26,785	0
Board of Education	180,837	179,265	189,001	8,164
Director of Schools	160,995	164,673	167,673	6,678
Office of the Principal	513,798	518,397	521,349	7,551
Fiscal Services	81,696	72,015	91,238	9,542
Operation of Plant	614,781	603,302	627,991	13,210
Maintenance of Plant	327,403	288,133	339,628	12,225
Transportation	213,205	193,361	225,769	12,564
<u>Operation of Non-Instructional Services</u>				
Food Service	646,839	600,281	664,746	17,907
Community Services	152,472	150,000	152,499	27
Early Childhood Education	319,720	315,983	323,607	3,887
<u>Capital Outlay</u>				
Regular Capital Outlay	1,698,634	175,000	1,734,563	35,929
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 9,973,469	\$ 8,290,954	\$ 10,314,212	\$ 340,743
Excess (Deficiency) of Revenues Over Expenditures	\$ (95,918)	\$ (327,554)	\$ (517,567)	\$ 421,649
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 2,312	\$ 0	\$ 0	\$ 2,312
Total Other Financing Sources	\$ 2,312	\$ 0	\$ 0	\$ 2,312
Net Change in Fund Balance	\$ (93,606)	\$ (327,554)	\$ (517,567)	\$ 423,961
Fund Balance, July 1, 2018	1,600,314	1,300,000	1,300,000	300,314
Fund Balance, June 30, 2019	\$ 1,506,708	\$ 972,446	\$ 782,433	\$ 724,275

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, 2019

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 804,276	\$ 901,650	\$ 901,001	\$ (96,725)
Total Revenues	\$ 804,276	\$ 901,650	\$ 901,001	\$ (96,725)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 281,432	\$ 304,767	\$ 305,016	\$ 23,584
Special Education Program	246,356	271,965	271,635	25,279
Career and Technical Education Program	12,488	12,488	11,548	(940)
<u>Support Services</u>				
Other Student Support	7,509	8,416	9,305	1,796
Regular Instruction Program	258,003	281,065	280,821	22,818
Special Education Program	739	18,181	18,377	17,638
Career and Technical Education Program	2,101	2,101	2,440	339
Board of Education	211	288	0	(211)
Transportation	504	504	500	(4)
<u>Operation of Non-Instructional Services</u>				
Food Service	560	560	560	0
Total Expenditures	\$ 809,903	\$ 900,335	\$ 900,202	\$ 90,299
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,627)	\$ 1,315	\$ 799	\$ (6,426)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (800)	\$ (800)	\$ 800
Total Other Financing Sources	\$ 0	\$ (800)	\$ (800)	\$ 800
Net Change in Fund Balance	\$ (5,627)	\$ 515	\$ (1)	\$ (5,626)
Fund Balance, July 1, 2018	24,740	24,740	24,740	0
Fund Balance, June 30, 2019	\$ 19,113	\$ 25,255	\$ 24,739	\$ (5,626)

Exhibit I-8

Lake County, Tennessee  
Statement of Fiduciary Net Position  
Discretely Presented Lake County School Department  
Fiduciary Fund  
June 30, 2019

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 337,632</u>
<u>NET POSITION</u>	
Held in Trust for College Scholarships for Lake County Students	<u>\$ 337,632</u>



Exhibit I-9

Lake County, Tennessee  
Statement of Changes in Fiduciary Net Position  
Discretely Presented Lake County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2019

	<u>Other Trust Fund Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 4,143
Total Additions	<u>\$ 4,143</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 500
Trustee Commission	41
Total Deductions	<u>\$ 541</u>
Change in Net Position	\$ 3,602
Net Position, July 1, 2018	<u>334,030</u>
Net Position, June 30, 2019	<u><u>\$ 337,632</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Lake County, Tennessee  
Schedule of Changes in Long-term Note, Other Loan, Capital Lease, and Bonds  
For the Year Ended June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-18	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-19
<u>NOTE PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	\$ 60,000	5.5 %	7-12-18	7-12-22	\$ 0	\$ 60,000	\$ 12,640	\$ 47,360
Total Note Payable					\$ 0	\$ 60,000	\$ 12,640	\$ 47,360
<u>OTHER LOAN PAYABLE</u>								
<u>Payable through Debt Service Fund</u>								
Energy Efficient School Initiative, 2018	1,694,232	1.5	8-20-18	8-1-35	\$ 0	\$ 1,694,232	\$ 0	\$ 1,694,232
Total Other Loan Payable					\$ 0	\$ 1,694,232	\$ 0	\$ 1,694,232
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through Solid Waste/Sanitation Fund</u>								
Landscape Loader	78,265	7	4-15-15	3-6-19	\$ 16,370	\$ 0	\$ 16,370	\$ 0
Wheel Loader	107,517	4.89	12-18-18	12-18-23	0	107,517	5,844	101,673
Total Capital Lease Payable					\$ 16,370	\$ 107,517	\$ 22,214	\$ 101,673
<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	\$ 950,000	\$ 0	\$ 60,000	\$ 890,000
General Obligation Refunding Bonds, Series 2012B	7,630,000	.4 to 4	4-12-12	6-1-37	6,230,000	0	285,000	5,945,000
General Obligation Refunding Bonds, Series 2016	2,595,000	.75 to 3.5	3-24-16	6-1-36	2,340,000	0	105,000	2,235,000
Total Bonds Payable					\$ 9,520,000	\$ 0	\$ 450,000	\$ 9,070,000

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2020	\$ 14,524	\$ 2,246	\$ 16,770
2021	15,349	1,421	16,770
2022	16,213	558	16,771
2023	1,274	6	1,280
Total	\$ 47,360	\$ 4,231	\$ 51,591

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2020	\$ 78,570	\$ 20,740	\$ 99,310
2021	95,592	23,580	119,172
2022	97,032	22,140	119,172
2023	98,496	20,676	119,172
2024	99,984	19,188	119,172
2025	101,496	17,676	119,172
2026	103,032	16,140	119,172
2027	104,592	14,580	119,172
2028	106,164	13,008	119,172
2029	107,772	11,400	119,172
2030	109,404	9,768	119,172
2031	111,048	8,124	119,172
2032	112,728	6,444	119,172
2033	114,432	4,740	119,172
2034	116,160	3,012	119,172
2035	117,912	1,260	119,172
2036	19,818	10	19,828
Total	\$ 1,694,232	\$ 212,486	\$ 1,906,718

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2020	\$ 15,688	\$ 4,545	\$ 20,233
2021	16,473	3,760	20,233
2022	17,296	2,937	20,233
2023	18,161	2,072	20,233
2024	34,055	698	34,753
Total	\$ 101,673	\$ 14,012	\$ 115,685

(Continued)

Exhibit J-2

Lake County, Tennessee  
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds		Total
	Principal	Interest	
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	\$ 9,070,000	\$ 2,878,304	\$ 11,948,304

Exhibit J-3

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, 2019

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 77,486 (1)	\$ 400,000	Local Government Property and Casualty Fund
Road Superintendent	Section 8-24-102, <i>TCA</i>	85,270 (2)	100,000	Traveler's Casualty and Surety Company of America
Director of Schools	State Board of Education and Lake County Board of Education	98,944 (3)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	66,569	400,000	Local Government Property and Casualty Fund
Assessor of Property	Section 8-24-102, <i>TCA</i>	66,569	50,000	Traveler's Casualty and Surety Company of America
County Clerk	Section 8-24-102, <i>TCA</i>	66,569	400,000	Local Government Property and Casualty Fund
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i>	66,569	400,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	66,569	50,000	RLI Insurance Company
Register of Deeds	Section 8-24-102, <i>TCA</i>	66,569	400,000	Local Government Property and Casualty Fund
Sheriff	Section 8-24-102, <i>TCA</i>	73,226 (4)	400,000	"
<b>Blanket Bond:</b>				
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 \$600.

(2) Includes additional compensation of \$800.

(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-4

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2019

	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	\$ 1,402,221	\$ 0	\$ 75,437	\$ 0	\$ 27,892
Trustee's Collections - Prior Year	42,481	0	2,020	0	682
Circuit Clerk/Clerk and Master Collections - Prior Years	8,870	0	450	0	181
Interest and Penalty	9,168	0	413	0	149
Payments in-Lieu-of Taxes - Other	25,734	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	59,673	0	0	0	0
Hotel/Motel Tax	35,334	0	0	0	0
Wheel Tax	196,320	0	7,149	0	0
Litigation Tax - General	10,312	0	0	0	0
Litigation Tax - Special Purpose	5,147	1,533	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courthouse Security	13,422	0	0	0	0
Business Tax	19,365	0	0	0	0
Mixed Drink Tax	1,706	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	2,978	0	0	0	0
Wholesale Beer Tax	8,507	0	0	0	0
Total Local Taxes	\$ 1,841,238	\$ 1,533	\$ 85,469	\$ 0	\$ 28,904
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 139	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	10,507	0	0	0	0

(Continued)

Exhibit J-4

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	\$ 2,820	\$ 0	\$ 0	\$ 0	\$ 0
Other Permits	15	0	0	0	0
Total Licenses and Permits	<u>\$ 13,481</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Officers Costs	\$ 4,891	\$ 0	\$ 0	\$ 0	\$ 0
Drug Control Fines	1,908	0	0	0	0
Drug Court Fees	200	0	0	0	0
Jail Fees	1,609	0	0	0	0
Data Entry Fee - Circuit Court	470	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	95	0	0	0	0
<u>General Sessions Court</u>					
Fines	3,534	0	0	0	0
Officers Costs	12,136	0	0	0	0
Game and Fish Fines	149	0	0	0	0
Drug Control Fines	1,010	0	0	777	0
Drug Court Fees	3,145	0	0	0	0
Jail Fees	9,889	0	0	0	0
DUI Treatment Fines	1,154	0	0	0	0
Data Entry Fee - General Sessions Court	1,926	0	0	0	0
Courtroom Security Fee	10	0	0	0	0
<u>Juvenile Court</u>					
Fines	677	0	0	0	0

(Continued)



Exhibit J-4

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>Chancery Court</u>					
Officers Costs	\$ 441	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Chancery Court	560	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	180	0	0	11,237	0
Total Fines, Forfeitures, and Penalties	\$ 43,984	\$ 0	\$ 0	\$ 12,014	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - Waste Tire Disposal	\$ 0	\$ 0	\$ 936	\$ 0	\$ 0
Patient Charges	715,307	0	0	0	0
<u>Fees</u>					
Archives and Records Management Fee	2,670	0	0	0	0
Telephone Commissions	14,478	0	0	0	0
Data Processing Fee - Register	1,256	0	0	0	0
Data Processing Fee - Sheriff	727	0	0	0	0
Data Processing Fee - County Clerk	87	0	0	0	0
Vehicle Insurance Coverage and Reinstatement Fees	968	0	0	0	0
Total Charges for Current Services	\$ 735,493	\$ 0	\$ 936	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 51,227	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	68,712	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	1,250
Commissary Sales	2,261	0	0	0	0
Miscellaneous Refunds	10,965	0	3,537	0	120

(Continued)

Exhibit J-4

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 (Cont.)</u>					
<u>Nonrecurring Items</u>					
Sale of Equipment	\$ 0	\$ 0	\$ 10,000	\$ 0	\$ 0
Damages Recovered from Individuals	442	0	0	0	0
Contributions and Gifts	1,000	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	3,843	0	0	0	0
Total Other Local Revenues	<u>\$ 138,450</u>	<u>\$ 0</u>	<u>\$ 13,537</u>	<u>\$ 0</u>	<u>\$ 1,370</u>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 54,017	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	27,399	0	0	0	0
General Sessions Court Clerk	30,842	0	0	0	0
Clerk and Master	14,639	0	0	0	0
Juvenile Court Clerk	4,871	0	0	0	0
Register	13,873	0	0	0	0
Sheriff	11,639	0	0	0	0
Trustee	106,505	0	0	0	0
Total Fees Received From County Officials	<u>\$ 263,785</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	52,761	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	382,034
Litter Program	25,451	0	0	0	0

(Continued)

Exhibit J-4

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 (Cont.)</u>					
<u>Other State Revenues</u>					
Income Tax	\$ 0	\$ 0	\$ 1,039	\$ 0	\$ 0
Beer Tax	17,959	0	0	0	0
Vehicle Certificate of Title Fees	7,371	0	0	0	0
Alcoholic Beverage Tax	22,615	0	0	0	0
State Revenue Sharing - Telecommunications	7,475	0	0	0	0
Contracted Prisoner Boarding	357,786	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,692,628
Petroleum Special Tax	0	0	0	0	5,651
Registrar's Salary Supplement	11,373	0	0	0	0
Other State Revenues	4,063	0	0	0	0
<b>Total State of Tennessee</b>	<b>\$ 511,354</b>	<b>\$ 0</b>	<b>\$ 1,039</b>	<b>\$ 0</b>	<b>\$ 2,080,313</b>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	12,300	0	0	0	0
Disaster Relief	3,269	0	0	0	0
Other Federal through State	3,000	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	2,200	0	0	0	0
<b>Total Federal Government</b>	<b>\$ 29,769</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,325

(Continued)

Exhibit J-4

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Other Governments and Citizens Groups (Cont.)</u>					
<u>Other Governments (Cont.)</u>					
Contributions	\$ 0	\$ 0	\$ 35,224	\$ 500	\$ 0
Contracted Services	110,036	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 110,036</u>	<u>\$ 0</u>	<u>\$ 35,224</u>	<u>\$ 500</u>	<u>\$ 15,325</u>
Total	<u>\$ 3,687,590</u>	<u>\$ 1,533</u>	<u>\$ 136,205</u>	<u>\$ 12,514</u>	<u>\$ 2,125,912</u>

(Continued)

Exhibit J-4

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

	<u>Debt Service</u>	
	<u>Fund</u>	
	General	Total
	Debt	
	Service	
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 136,981	\$ 1,642,531
Trustee's Collections - Prior Year	1,173	46,356
Circuit Clerk/Clerk and Master Collections - Prior Years	292	9,793
Interest and Penalty	369	10,099
Payments in-Lieu-of Taxes - Other	0	25,734
<u>County Local Option Taxes</u>		
Local Option Sales Tax	302,490	362,163
Hotel/Motel Tax	0	35,334
Wheel Tax	72,352	275,821
Litigation Tax - General	0	10,312
Litigation Tax - Special Purpose	0	6,680
Litigation Tax - Jail, Workhouse, or Courthouse	4,944	4,944
Litigation Tax - Courthouse Security	0	13,422
Business Tax	1,139	20,504
Mixed Drink Tax	0	1,706
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	2,978
Wholesale Beer Tax	0	8,507
Total Local Taxes	<u>\$ 519,740</u>	<u>\$ 2,476,884</u>
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Animal Registration	\$ 0	\$ 139
Cable TV Franchise	0	10,507

(Continued)

Exhibit J-4

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General	Debt	Total
	Service		
<hr/>			
<u>Licenses and Permits (Cont.)</u>			
<u>Permits</u>			
Building Permits	\$	0	\$ 2,820
Other Permits		0	15
Total Licenses and Permits	<u>\$</u>	<u>0</u>	<u>\$ 13,481</u>
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Officers Costs	\$	0	\$ 4,891
Drug Control Fines		0	1,908
Drug Court Fees		0	200
Jail Fees		0	1,609
Data Entry Fee - Circuit Court		0	470
<u>Criminal Court</u>			
DUI Treatment Fines		0	95
<u>General Sessions Court</u>			
Fines		0	3,534
Officers Costs		0	12,136
Game and Fish Fines		0	149
Drug Control Fines		0	1,787
Drug Court Fees		0	3,145
Jail Fees		0	9,889
DUI Treatment Fines		0	1,154
Data Entry Fee - General Sessions Court		0	1,926
Courtroom Security Fee		0	10
<u>Juvenile Court</u>			
Fines		0	677

(Continued)

Exhibit J-4

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General	Debt	Total
	Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Chancery Court</u>			
Officers Costs	\$ 0	\$	441
Data Entry Fee - Chancery Court	0		560
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0		11,417
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$</u>	<u>55,998</u>
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Surcharge - Waste Tire Disposal	\$ 0	\$	936
Patient Charges	0		715,307
<u>Fees</u>			
Archives and Records Management Fee	0		2,670
Telephone Commissions	0		14,478
Data Processing Fee - Register	0		1,256
Data Processing Fee - Sheriff	0		727
Data Processing Fee - County Clerk	0		87
Vehicle Insurance Coverage and Reinstatement Fees	0		968
Total Charges for Current Services	<u>\$ 0</u>	<u>\$</u>	<u>736,429</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 0	\$	51,227
Lease/Rentals	0		68,712
Sale of Materials and Supplies	0		1,250
Commissary Sales	0		2,261
Miscellaneous Refunds	0		14,622

(Continued)

Exhibit J-4

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General	Debt	Total
	Service		
<u>Other Local Revenues (Cont.)</u>			
<u>Nonrecurring Items</u>			
Sale of Equipment	\$ 0		\$ 10,000
Damages Recovered from Individuals	0		442
Contributions and Gifts	0		1,000
<u>Other Local Revenues</u>			
Other Local Revenues	0		3,843
Total Other Local Revenues	<u>\$ 0</u>		<u>\$ 153,357</u>
<u>Fees Received From County Officials</u>			
<u>Fees In-Lieu-of Salary</u>			
County Clerk	\$ 0		\$ 54,017
Circuit Court Clerk	0		27,399
General Sessions Court Clerk	0		30,842
Clerk and Master	0		14,639
Juvenile Court Clerk	0		4,871
Register	0		13,873
Sheriff	0		11,639
Trustee	0		106,505
Total Fees Received From County Officials	<u>\$ 0</u>		<u>\$ 263,785</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0		\$ 4,500
Aging Programs	0		52,761
<u>Public Works Grants</u>			
State Aid Program	0		382,034
Litter Program	0		25,451

(Continued)



Exhibit J-4

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General	Debt	Total
	Service		
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues</u>			
Income Tax	\$ 0		\$ 1,039
Beer Tax	0		17,959
Vehicle Certificate of Title Fees	0		7,371
Alcoholic Beverage Tax	0		22,615
State Revenue Sharing - Telecommunications	0		7,475
Contracted Prisoner Boarding	0		357,786
Gasoline and Motor Fuel Tax	0		1,692,628
Petroleum Special Tax	0		5,651
Registrar's Salary Supplement	0		11,373
Other State Revenues	0		4,063
Total State of Tennessee	<u>\$ 0</u>		<u>\$ 2,592,706</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$ 0		\$ 9,000
Civil Defense Reimbursement	0		12,300
Disaster Relief	0		3,269
Other Federal through State	0		3,000
<u>Direct Federal Revenue</u>			
Other Direct Federal Revenue	0		2,200
Total Federal Government	<u>\$ 0</u>		<u>\$ 29,769</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Paving and Maintenance	\$ 0		\$ 15,325

(Continued)

Exhibit J-4

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

	<u>Debt Service</u> <u>Fund</u>		
	General	Debt	Total
	Service		
<hr/>			
<u>Other Governments and Citizens Groups (Cont.)</u>			
<u>Other Governments (Cont.)</u>			
Contributions	\$ 125,000	\$	160,724
Contracted Services	0		110,036
Total Other Governments and Citizens Groups	<u>\$ 125,000</u>	<u>\$</u>	<u>286,085</u>
Total	<u>\$ 644,740</u>	<u>\$</u>	<u>6,608,494</u>

Exhibit J-5

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lake County School Department  
For the Year Ended June 30, 2019

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 881,102	\$ 0	\$ 881,102
Trustee's Collections - Prior Year	24,001	0	24,001
Trustee's Collections - Bankruptcy	143	0	143
Circuit Clerk/Clerk and Master Collections - Prior Years	5,899	0	5,899
Interest and Penalty	4,985	0	4,985
<u>County Local Option Taxes</u>			
Local Option Sales Tax	325,727	0	325,727
Wheel Tax	39,016	0	39,016
Business Tax	2,279	0	2,279
Total Local Taxes	\$ 1,283,152	\$ 0	\$ 1,283,152
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 342	\$ 0	\$ 342
<u>Permits</u>			
Other Permits	140	0	140
Total Licenses and Permits	\$ 482	\$ 0	\$ 482
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 58,365	\$ 0	\$ 58,365
Total Charges for Current Services	\$ 58,365	\$ 0	\$ 58,365
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 1,474	\$ 0	\$ 1,474
Lease/Rentals	2,320	0	2,320
Sale of Materials and Supplies	60	0	60
E-Rate Funding	3,870	0	3,870
Miscellaneous Refunds	1,464	0	1,464
<u>Nonrecurring Items</u>			
Contributions and Gifts	2,271	0	2,271
Total Other Local Revenues	\$ 11,459	\$ 0	\$ 11,459
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-behalf Contributions for OPEB	\$ 26,785	\$ 0	\$ 26,785
<u>State Education Funds</u>			
Basic Education Program	5,131,000	0	5,131,000

(Continued)

Exhibit J-5

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

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Early Childhood Education	\$ 303,440	\$ 0	\$ 303,440
School Food Service	4,832	0	4,832
Driver Education	671	0	671
Other State Education Funds	328,386	0	328,386
Coordinated School Health	94,882	0	94,882
Family Resource Centers	29,611	0	29,611
Career Ladder Program	28,419	0	28,419
Other Vocational	75,000	0	75,000
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	233,251	0	233,251
Safe Schools	6,389	0	6,389
Total State of Tennessee	<u>\$ 6,262,666</u>	<u>\$ 0</u>	<u>\$ 6,262,666</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 349,417	\$ 0	\$ 349,417
USDA - Commodities	45,230	0	45,230
Breakfast	157,630	0	157,630
USDA - Other	10,008	0	10,008
Vocational Education - Basic Grants to States	0	20,509	20,509
Title I Grants to Local Education Agencies	0	476,771	476,771
Special Education - Grants to States	0	233,348	233,348
Special Education Preschool Grants	0	11,230	11,230
Rural Education	0	11,020	11,020
Eisenhower Professional Development State Grants	0	28,041	28,041
Other Federal through State	4,910	23,357	28,267
Total Federal Government	<u>\$ 567,195</u>	<u>\$ 804,276</u>	<u>\$ 1,371,471</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 1,694,232	\$ 0	\$ 1,694,232
Total Other Governments and Citizens Groups	<u>\$ 1,694,232</u>	<u>\$ 0</u>	<u>\$ 1,694,232</u>
Total	<u>\$ 9,877,551</u>	<u>\$ 804,276</u>	<u>\$ 10,681,827</u>

Exhibit J-6

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2019

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	25,118	
Social Security		1,847	
Pensions		593	
Unemployment Compensation		97	
Total County Commission			\$ 27,655

County Mayor/Executive

County Official/Administrative Officer	\$	76,886	
Accountants/Bookkeepers		23,490	
Secretary(ies)		20,490	
Longevity Pay		200	
Other Salaries and Wages		3,000	
Other Per Diem and Fees		1,500	
Social Security		9,317	
Pensions		2,668	
Unemployment Compensation		225	
Communication		2,233	
Data Processing Services		20,388	
Postal Charges		740	
Printing, Stationery, and Forms		3,258	
Travel		1,346	
Electricity		623	
Natural Gas		349	
Office Supplies		2,003	
Water and Sewer		65	
Building and Contents Insurance		1,700	
Premiums on Corporate Surety Bonds		50	
Workers' Compensation Insurance		200	
Other Charges		41,483	
Total County Mayor/Executive			212,214

County Attorney

County Official/Administrative Officer	\$	4,500	
Legal Services		33,964	
Total County Attorney			38,464

Election Commission

County Official/Administrative Officer	\$	66,569	
Other Salaries and Wages		300	
Election Commission		4,500	
Election Workers		8,937	
Social Security		4,922	
Pensions		3,819	
Communication		2,023	
Data Processing Services		7,531	
Legal Notices, Recording, and Court Costs		2,605	
Maintenance and Repair Services - Equipment		1,862	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Postal Charges	\$	941	
Printing, Stationery, and Forms		4,389	
Travel		1,274	
Natural Gas		1,195	
Office Supplies		778	
Building and Contents Insurance		5,000	
Workers' Compensation Insurance		250	
Total Election Commission			\$ 116,895

Register of Deeds

County Official/Administrative Officer	\$	66,569	
Deputy(ies)		7,979	
Longevity Pay		550	
Social Security		5,575	
Pensions		3,819	
Unemployment Compensation		56	
Communication		1,249	
Data Processing Services		1,306	
Postal Charges		343	
Printing, Stationery, and Forms		493	
Travel		80	
Electricity		435	
Natural Gas		244	
Office Supplies		1,788	
Water and Sewer		45	
Building and Contents Insurance		1,150	
Premiums on Corporate Surety Bonds		50	
Workers' Compensation Insurance		50	
Total Register of Deeds			91,781

Development

Board and Committee Members Fees	\$	1,700	
Social Security		141	
Unemployment Compensation		2	
Other Contracted Services		10,390	
Total Development			12,233

County Buildings

Communication	\$	160	
Maintenance and Repair Services - Buildings		35,282	
Maintenance and Repair Services - Equipment		7,459	
Pest Control		2,870	
Custodial Supplies		4,586	
Electricity		10,514	
Natural Gas		5,585	
Water and Sewer		639	
Workers' Compensation Insurance		8,225	
Total County Buildings			75,320

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	66,569	
Secretary(ies)		20,490	
Longevity Pay		100	
Other Salaries and Wages		3,000	
Board and Committee Members Fees		170	
Social Security		6,747	
Pensions		5,178	
Unemployment Compensation		113	
Communication		1,134	
Postal Charges		346	
Printing, Stationery, and Forms		1,699	
Travel		823	
Other Contracted Services		3,225	
Electricity		314	
Natural Gas		176	
Office Supplies		431	
Water and Sewer		33	
Building and Contents Insurance		690	
Workers' Compensation Insurance		200	
Total Property Assessor's Office			\$ 111,438

County Trustee's Office

County Official/Administrative Officer	\$	66,569	
Deputy(ies)		20,490	
Longevity Pay		100	
Other Salaries and Wages		3,000	
Social Security		6,128	
Pensions		5,010	
Unemployment Compensation		113	
Communication		1,537	
Data Processing Services		12,515	
Dues and Memberships		831	
Postal Charges		1,922	
Printing, Stationery, and Forms		302	
Rentals		1,146	
Travel		749	
Electricity		334	
Natural Gas		187	
Office Supplies		489	
Water and Sewer		35	
Building and Contents Insurance		966	
Total County Trustee's Office			122,423

County Clerk's Office

County Official/Administrative Officer	\$	66,569	
Deputy(ies)		40,980	
Longevity Pay		200	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Social Security	\$	8,115	
Pensions		6,229	
Unemployment Compensation		222	
Communication		2,676	
Data Processing Services		7,672	
Postal Charges		925	
Printing, Stationery, and Forms		42	
Electricity		1,880	
Natural Gas		797	
Office Supplies		1,781	
Water and Sewer		645	
Building and Contents Insurance		966	
Premiums on Corporate Surety Bonds		50	
Total County Clerk's Office			\$ 139,749

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	66,569	
Deputy(ies)		59,136	
Longevity Pay		1,100	
Other Salaries and Wages		1,200	
Jury and Witness Expense		3,887	
Social Security		9,548	
Pensions		7,375	
Unemployment Compensation		351	
Communication		2,217	
Data Processing Services		12,690	
Postal Charges		1,508	
Printing, Stationery, and Forms		1,052	
Travel		216	
Electricity		3,541	
Natural Gas		1,982	
Office Supplies		4,456	
Water and Sewer		369	
Building and Contents Insurance		5,600	
Workers' Compensation Insurance		1,575	
Total Circuit Court			184,372

General Sessions Court

Judge(s)	\$	96,178	
Other Salaries and Wages		1,800	
Social Security		7,488	
Pensions		5,588	
Unemployment Compensation		124	
Communication		1,036	
Postal Charges		259	
Travel		1,330	

(Continued)



Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Electricity	\$	218	
Natural Gas		122	
Office Supplies		613	
Water and Sewer		23	
Building and Contents Insurance		425	
Workers' Compensation Insurance		150	
Total General Sessions Court			\$ 115,354

Chancery Court

County Official/Administrative Officer	\$	66,569	
Deputy(ies)		7,759	
Social Security		5,686	
Pensions		3,868	
Unemployment Compensation		52	
Communication		1,341	
Data Processing Services		6,712	
Postal Charges		519	
Printing, Stationery, and Forms		616	
Electricity		352	
Natural Gas		238	
Office Supplies		215	
Water and Sewer		41	
Building and Contents Insurance		690	
Workers' Compensation Insurance		225	
Total Chancery Court			94,883

Juvenile Court

County Official/Administrative Officer	\$	32,580	
Longevity Pay		1,350	
Other Salaries and Wages		25	
Social Security		2,598	
Pensions		1,954	
Unemployment Compensation		118	
Communication		1,392	
Postal Charges		298	
Travel		905	
Other Contracted Services		10,625	
Electricity		276	
Natural Gas		154	
Office Supplies		310	
Water and Sewer		29	
Building and Contents Insurance		552	
Total Juvenile Court			53,166

Other Administration of Justice

Library Books/Media	\$	3,857	
Total Other Administration of Justice			3,857

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Courtroom Security

Social Security	\$	1,974	
Unemployment Compensation		230	
Other Contracted Services		27,293	
Total Courtroom Security			\$ 29,497

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	73,226	
Deputy(ies)		247,462	
Salary Supplements		3,600	
Secretary(ies)		24,788	
Longevity Pay		1,750	
Other Salaries and Wages		444	
In-service Training		8,592	
Social Security		26,605	
Pensions		19,123	
Unemployment Compensation		966	
Communication		17,468	
Contracts with Government Agencies		2,680	
Data Processing Services		1,130	
Maintenance and Repair Services - Vehicles		15,216	
Postal Charges		801	
Printing, Stationery, and Forms		937	
Travel		4,251	
Gasoline		22,368	
Natural Gas		9,900	
Office Supplies		6,396	
Uniforms		2,680	
Water and Sewer		2,775	
Other Supplies and Materials		1,658	
Building and Contents Insurance		42,026	
Premiums on Corporate Surety Bonds		50	
Workers' Compensation Insurance		11,143	
Motor Vehicles		57,727	
Total Sheriff's Department			605,762

Jail

Dispatchers/Radio Operators	\$	257,904	
Secretary(ies)		34,095	
Part-time Personnel		40,474	
Longevity Pay		3,900	
In-service Training		861	
Social Security		24,909	
Pensions		16,572	
Unemployment Compensation		1,846	
Maintenance and Repair Services - Buildings		3,607	
Maintenance and Repair Services - Equipment		9,610	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Medical and Dental Services	\$	57,232	
Custodial Supplies		12,258	
Electricity		28,534	
Food Supplies		80,068	
Natural Gas		2,101	
Uniforms		1,743	
Water and Sewer		8,928	
Other Supplies and Materials		4,426	
Building and Contents Insurance		11,950	
Workers' Compensation Insurance		7,860	
Total Jail			\$ 608,878

Civil Defense

Supervisor/Director	\$	10,500	
Social Security		803	
Pensions		610	
Unemployment Compensation		25	
Other Charges		3,984	
Total Civil Defense			15,922

Public Health and Welfare

Local Health Center

Communication	\$	1,091	
Maintenance and Repair Services - Buildings		7,669	
Postal Charges		57	
Other Contracted Services		6,660	
Custodial Supplies		108	
Drugs and Medical Supplies		20	
Electricity		6,204	
Natural Gas		1,724	
Office Supplies		356	
Water and Sewer		1,668	
Building and Contents Insurance		3,000	
Workers' Compensation Insurance		700	
Other Charges		1,458	
Other Capital Outlay		11,650	
Total Local Health Center			42,365

Ambulance/Emergency Medical Services

Supervisor/Director	\$	35,205	
Medical Personnel		491,839	
Secretary(ies)		22,886	
Longevity Pay		1,200	
Other Salaries and Wages		3,360	
Social Security		42,109	
Pensions		11,713	
Unemployment Compensation		2,934	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Ambulance Services	\$	125	
Communication		3,478	
Licenses		1,500	
Maintenance and Repair Services - Equipment		6,507	
Maintenance and Repair Services - Vehicles		6,472	
Postal Charges		639	
Rentals		2,268	
Travel		1,564	
Other Contracted Services		26,476	
Drugs and Medical Supplies		15,698	
Electricity		5,334	
Gasoline		20,949	
Natural Gas		1,916	
Office Supplies		1,057	
Uniforms		81	
Water and Sewer		1,259	
Other Supplies and Materials		1,004	
Building and Contents Insurance		9,074	
Workers' Compensation Insurance		10,000	
Total Ambulance/Emergency Medical Services			\$ 726,647

Sanitation Management

Deputy(ies)	\$	7,514	
Education Media Personnel		7,950	
Social Security		575	
Unemployment Compensation		118	
Maintenance and Repair Services - Vehicles		557	
Gasoline		484	
Other Charges		2,479	
Total Sanitation Management			19,677

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	20,487	
Social Security		4,492	
Pensions		2,543	
Unemployment Compensation		380	
Communication		6,292	
Contributions		2,370	
Maintenance and Repair Services - Buildings		1,850	
Maintenance and Repair Services - Vehicles		106	
Travel		1,405	
Other Contracted Services		53,423	
Electricity		4,727	
Natural Gas		917	
Office Supplies		688	
Water and Sewer		2,341	
Other Supplies and Materials		707	
Total Senior Citizens Assistance			102,728

(Continued)

Exhibit J-6

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

<u>General Fund (Cont.)</u>		
<u>Social, Cultural, and Recreational Services (Cont.)</u>		
<u>Libraries</u>		
Contributions	\$ 18,875	
Total Libraries		\$ 18,875
<u>Other Social, Cultural, and Recreational</u>		
Other Charges	\$ 8,598	
Total Other Social, Cultural, and Recreational		8,598
<u>Agriculture and Natural Resources</u>		
<u>Agricultural Extension Service</u>		
Salary Supplements	\$ 11,357	
Secretary(ies)	4,918	
Social Security	179	
Pensions	2,084	
Communication	1,579	
Office Supplies	574	
Other Supplies and Materials	85	
Total Agricultural Extension Service		20,776
<u>Other Operations</u>		
<u>Tourism</u>		
Contributions	\$ 44,625	
Total Tourism		44,625
<u>Other Economic and Community Development</u>		
Matching Share	\$ 105,550	
Other Charges	7,770	
Total Other Economic and Community Development		113,320
<u>Other Charges</u>		
Trustee's Commission	\$ 42,661	
Total Other Charges		42,661
<u>Contributions to Other Agencies</u>		
Contributions	\$ 7,298	
Total Contributions to Other Agencies		7,298
<u>Employee Benefits</u>		
Employee and Dependent Insurance	\$ 69,653	
Total Employee Benefits		69,653
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 12,640	
Total General Government		12,640

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 2,803	
Total General Government		\$ 2,803

Total General Fund		\$ 3,892,529
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Law Library Fund

Administration of Justice

Other Administration of Justice

Trustee's Commission	\$ 17	
Total Other Administration of Justice		\$ 17

Total Law Library Fund		17
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$ 31,200	
Social Security	2,341	
Pensions	1,798	
Employee and Dependent Insurance	3,926	
Unemployment Compensation	119	
Bank Charges	887	
Maintenance and Repair Services - Buildings	821	
Maintenance and Repair Services - Equipment	4,117	
Diesel Fuel	2,957	
Electricity	16,524	
Trustee's Commission	1,680	
Solid Waste Equipment	124,271	
Total Waste Incinerator		\$ 190,641

Other Waste Disposal

Contracts with Government Agencies	\$ 29,678	
Total Other Waste Disposal		29,678

Principal on Debt

General Government

Principal on Capital Leases	\$ 22,214	
Total General Government		22,214

Interest on Debt

General Government

Interest on Capital Leases	\$ 2,970	
Total General Government		2,970

Total Solid Waste/Sanitation Fund		245,503
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(Continued)

Exhibit J-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Law Enforcement Supplies	\$	12,104	
Trustee's Commission		120	
Other Charges		94	
Motor Vehicles		18,950	
Total Drug Enforcement			\$ 31,268

Total Drug Control Fund \$ 31,268

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	85,270	
Accountants/Bookkeepers		49,763	
Secretary(ies)		44,496	
Board and Committee Members Fees		13,800	
Communication		3,644	
Data Processing Services		8,417	
Dues and Memberships		3,235	
Maintenance and Repair Services - Buildings		728	
Maintenance and Repair Services - Office Equipment		56	
Postal Charges		200	
Printing, Stationery, and Forms		89	
Travel		2,010	
Drugs and Medical Supplies		257	
Electricity		5,217	
Natural Gas		4,767	
Office Supplies		726	
Water and Sewer		1,293	
Total Administration			\$ 223,968

Highway and Bridge Maintenance

Equipment Operators	\$	281,895	
Engineering Services		25,000	
Other Contracted Services		11,000	
Asphalt - Cold Mix		892	
Asphalt - Liquid		58,735	
Crushed Stone		74,952	
Pipe - Metal		18,694	
Road Signs		2,158	
Wood Products		228	
Chemicals		9,489	
Total Highway and Bridge Maintenance			483,043

Operation and Maintenance of Equipment

Foremen	\$	43,840	
Mechanic(s)		97,278	
Laundry Service		5,370	

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Custodial Supplies	\$	323	
Diesel Fuel		34,985	
Equipment and Machinery Parts		49,562	
Garage Supplies		2,945	
Gasoline		8,271	
Lubricants		7,447	
Propane Gas		45	
Tires and Tubes		23,538	
Chemicals		196	
Total Operation and Maintenance of Equipment	\$		273,800

Other Charges

Building and Contents Insurance	\$	6,250	
Liability Insurance		18,500	
Trustee's Commission		17,510	
Vehicle and Equipment Insurance		25,500	
Workers' Compensation Insurance		67,059	
Other Charges		9,894	
Total Other Charges			144,713

Employee Benefits

Social Security	\$	46,479	
Pensions		35,051	
Employee and Dependent Insurance		14,673	
Unemployment Compensation		252	
Total Employee Benefits			96,455

Capital Outlay

Building Improvements	\$	6,700	
Highway Equipment		156,696	
Office Equipment		1,987	
State Aid Projects		390,237	
Total Capital Outlay			555,620

Total Highway/Public Works Fund \$ 1,777,599

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	222,000	
Total General Government	\$		222,000

Education

Principal on Bonds	\$	228,000	
Total Education			228,000

(Continued)



Exhibit J-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 135,886	
Total General Government		\$ 135,886
 <u>Education</u>		
Interest on Bonds	\$ 163,905	
Total Education		163,905
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 6,587	
Other Debt Service	1,190	
Total General Government		<u>7,777</u>
Total General Debt Service Fund		\$ 757,568
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 1,694,232	
Total Education Capital Projects		<u>\$ 1,694,232</u>
Total Education Capital Projects Fund		<u>1,694,232</u>
Total Governmental Funds - Primary Government		<u>\$ 8,398,716</u>

Exhibit J-7

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Lake County School Department  
For the Year Ended June 30, 2019

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,368,284	
Career Ladder Program	8,600	
Homebound Teachers	759	
Educational Assistants	18,273	
Other Salaries and Wages	12,440	
Certified Substitute Teachers	8,148	
Non-certified Substitute Teachers	31,289	
Social Security	133,966	
Pensions	206,062	
Life Insurance	5,295	
Medical Insurance	373,610	
Unemployment Compensation	8,776	
Employer Medicare	31,679	
Other Contracted Services	15,289	
Instructional Supplies and Materials	181,053	
Textbooks - Bound	38,527	
Regular Instruction Equipment	262	
Total Regular Instruction Program		\$ 3,442,312

Special Education Program

Teachers	\$ 303,484	
Career Ladder Program	2,000	
Homebound Teachers	1,387	
Educational Assistants	68,463	
Non-certified Substitute Teachers	3,677	
Social Security	19,152	
Pensions	27,636	
Medical Insurance	28,606	
Unemployment Compensation	1,000	
Employer Medicare	4,582	
Maintenance and Repair Services - Equipment	190	
Instructional Supplies and Materials	10,243	
Other Supplies and Materials	7,793	
Special Education Equipment	9,955	
Total Special Education Program		488,168

Career and Technical Education Program

Teachers	\$ 196,228	
Non-certified Substitute Teachers	2,544	
Social Security	9,281	
Pensions	15,478	
Medical Insurance	18,903	
Unemployment Compensation	110	
Employer Medicare	2,170	
Instructional Supplies and Materials	15,159	
Vocational Instruction Equipment	29,969	
Total Career and Technical Education Program		289,842

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	31,181	
Career Ladder Program		1,000	
Social Security		1,842	
Pensions		3,314	
Medical Insurance		6,254	
Unemployment Compensation		26	
Employer Medicare		431	
Travel		309	
Total Attendance			\$ 44,357

Health Services

Supervisor/Director	\$	23,375	
Other Salaries and Wages		42,654	
Social Security		4,387	
Pensions		7,296	
Employer Medicare		1,026	
Other Supplies and Materials		9,055	
In Service/Staff Development		6,562	
Total Health Services			94,355

Other Student Support

Guidance Personnel	\$	53,730	
School Resource Officer		30,074	
Other Salaries and Wages		30,894	
Social Security		6,962	
Pensions		11,998	
Medical Insurance		6,162	
Unemployment Compensation		55	
Employer Medicare		1,628	
Travel		1,773	
Other Contracted Services		8,367	
In Service/Staff Development		7,774	
Total Other Student Support			159,417

Regular Instruction Program

Supervisor/Director	\$	33,583	
Career Ladder Program		1,000	
Librarians		91,811	
Educational Assistants		13,947	
Social Security		8,332	
Pensions		14,030	
Medical Insurance		9,236	
Unemployment Compensation		112	
Employer Medicare		1,949	
Travel		42	
Library Books/Media		10,822	
In Service/Staff Development		9,478	
Total Regular Instruction Program			194,342

(Continued)

Exhibit J-7

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		1,346	
Clerical Personnel		15,450	
Social Security		3,083	
Pensions		4,588	
Medical Insurance		2,310	
Unemployment Compensation		1,000	
Employer Medicare		721	
Travel		129	
In Service/Staff Development		2,639	
Total Special Education Program			\$ 65,216

Technology

Supervisor/Director	\$	47,957	
Career Ladder Program		1,000	
Social Security		2,712	
Pensions		5,016	
Medical Insurance		8,115	
Unemployment Compensation		28	
Employer Medicare		634	
Internet Connectivity		30,794	
Other Equipment		37,039	
Total Technology			133,295

Other Programs

On-behalf Payments to OPEB	\$	26,785	
Total Other Programs			26,785

Board of Education

Board and Committee Members Fees	\$	5,400	
Social Security		335	
Pensions		161	
Employer Medicare		78	
Dues and Memberships		2,669	
Legal Services		14,044	
Travel		6,779	
Other Contracted Services		3,000	
Boiler Insurance		2,285	
Liability Insurance		19,989	
Trustee's Commission		38,477	
Workers' Compensation Insurance		79,582	
Other Charges		8,038	
Total Board of Education			180,837

Director of Schools

County Official/Administrative Officer	\$	97,944	
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(Continued)

Exhibit J-7

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.)

Career Ladder Program	\$	1,000	
Secretary(ies)		19,346	
Social Security		7,546	
Pensions		12,002	
Medical Insurance		8,355	
Unemployment Compensation		55	
Employer Medicare		1,765	
Other Fringe Benefits		4,800	
Communication		1,544	
Dues and Memberships		100	
Postal Charges		2,976	
Travel		1,874	
Other Contracted Services		350	
Office Supplies		364	
Administration Equipment		974	
Total Director of Schools			\$ 160,995

Office of the Principal

Principals	\$	203,720	
Career Ladder Program		1,000	
Accountants/Bookkeepers		39,214	
Assistant Principals		111,460	
Secretary(ies)		34,040	
Social Security		22,839	
Pensions		37,321	
Medical Insurance		41,691	
Unemployment Compensation		308	
Employer Medicare		5,341	
Communication		11,523	
Dues and Memberships		400	
Travel		4,941	
Total Office of the Principal			513,798

Fiscal Services

Accountants/Bookkeepers	\$	42,235	
Clerical Personnel		4,836	
Social Security		2,528	
Pensions		2,730	
Medical Insurance		10,915	
Unemployment Compensation		55	
Employer Medicare		591	
Data Processing Services		1,085	
Other Contracted Services		14,234	
Data Processing Supplies		2,487	
Total Fiscal Services			81,696

(Continued)

Exhibit J-7

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	\$	20,502	
Custodial Personnel		158,089	
Social Security		10,816	
Pensions		10,632	
Medical Insurance		9,240	
Unemployment Compensation		252	
Employer Medicare		2,530	
Other Contracted Services		4,702	
Custodial Supplies		29,342	
Electricity		191,057	
Natural Gas		119,912	
Water and Sewer		39,029	
Boiler Insurance		520	
Building and Contents Insurance		18,158	
Total Operation of Plant			\$ 614,781

Maintenance of Plant

Supervisor/Director	\$	35,005	
Other Salaries and Wages		35,005	
Social Security		4,210	
Pensions		4,061	
Medical Insurance		4,641	
Unemployment Compensation		56	
Employer Medicare		985	
Maintenance and Repair Services - Buildings		178,578	
Maintenance and Repair Services - Equipment		56,265	
Other Supplies and Materials		8,322	
Maintenance Equipment		275	
Total Maintenance of Plant			327,403

Transportation

Supervisor/Director	\$	20,502	
Bus Drivers		69,536	
Social Security		5,364	
Pensions		5,842	
Unemployment Compensation		168	
Employer Medicare		1,254	
Contracts with Other School Systems		9,000	
Maintenance and Repair Services - Vehicles		14,856	
Diesel Fuel		46,331	
Gasoline		6,174	
Tires and Tubes		5,136	
Vehicle Parts		4,842	
Transportation Equipment		24,200	
Total Transportation			213,205

(Continued)

Exhibit J-7

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

Food Service

Supervisor/Director	\$	37,132	
Social Security		2,131	
Pensions		2,154	
Medical Insurance		22,547	
Unemployment Compensation		28	
Employer Medicare		498	
Maintenance and Repair Services - Equipment		5,164	
Payments to Schools - Breakfast		157,630	
Payments to Schools - Lunch		349,417	
Payments to Schools - Other		14,308	
Travel		1,035	
USDA - Commodities		45,230	
Other Charges		2,433	
Food Service Equipment		7,132	
Total Food Service	\$		646,839

Community Services

Supervisor/Director	\$	43,412	
Teachers		39,207	
Clerical Personnel		12,782	
Educational Assistants		2,917	
Other Salaries and Wages		2,360	
Social Security		6,363	
Pensions		9,139	
Employer Medicare		1,597	
Other Contracted Services		12,612	
Food Supplies		412	
Instructional Supplies and Materials		18,900	
Other Supplies and Materials		89	
In Service/Staff Development		42	
Other Charges		2,640	
Total Community Services			152,472

Early Childhood Education

Supervisor/Director	\$	33,925	
Teachers		134,687	
Career Ladder Program		1,000	
Educational Assistants		55,463	
Non-certified Substitute Teachers		1,548	
Social Security		12,796	
Pensions		20,961	
Medical Insurance		23,849	
Unemployment Compensation		1,000	
Employer Medicare		2,999	
Travel		1,690	
Food Supplies		3,255	

(Continued)

Exhibit J-7

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Instructional Supplies and Materials	\$ 20,062	
Other Supplies and Materials	3,726	
In Service/Staff Development	1,676	
Other Equipment	1,083	
Total Early Childhood Education		\$ 319,720
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Building Improvements	\$ 1,688,823	
Other Capital Outlay	9,811	
Total Regular Capital Outlay		1,698,634
<u>Other Debt Service</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$ 125,000	
Total Education		<u>125,000</u>
Total General Purpose School Fund		\$ 9,973,469
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$ 125,989	
Non-certified Substitute Teachers	802	
Social Security	7,402	
Pensions	12,878	
Medical Insurance	15,249	
Unemployment Compensation	88	
Employer Medicare	1,732	
Instructional Supplies and Materials	62,620	
Other Charges	45	
Regular Instruction Equipment	54,627	
Total Regular Instruction Program		\$ 281,432
<u>Special Education Program</u>		
Teachers	\$ 88,818	
Educational Assistants	91,468	
Non-certified Substitute Teachers	442	
Social Security	10,111	
Pensions	14,595	
Medical Insurance	26,623	
Unemployment Compensation	315	
Employer Medicare	2,366	
Instructional Supplies and Materials	2,633	
Other Supplies and Materials	1,004	
Special Education Equipment	7,981	
Total Special Education Program		246,356

(Continued)



Exhibit J-7

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.)

Career and Technical Education Program

Instructional Supplies and Materials	\$	1,899	
Vocational Instruction Equipment		10,589	
Total Career and Technical Education Program			\$ 12,488

Support Services

Other Student Support

Travel	\$	1,829	
Other Supplies and Materials		1,589	
In Service/Staff Development		4,091	
Total Other Student Support			7,509

Regular Instruction Program

Supervisor/Director	\$	36,930	
Clerical Personnel		15,450	
Other Salaries and Wages		115,448	
Social Security		9,936	
Pensions		16,827	
Medical Insurance		8,191	
Unemployment Compensation		105	
Employer Medicare		2,324	
Communication		173	
Maintenance and Repair Services - Equipment		3,500	
Travel		124	
Other Contracted Services		1,676	
Other Supplies and Materials		13,553	
In Service/Staff Development		28,470	
Other Equipment		5,296	
Total Regular Instruction Program			258,003

Special Education Program

Communication	\$	82	
Other Contracted Services		657	
Total Special Education Program			739

Career and Technical Education Program

In Service/Staff Development	\$	2,101	
Total Career and Technical Education Program			2,101

Board of Education

Criminal Investigation of Applicants - TBI	\$	211	
Total Board of Education			211

Transportation

Bus Drivers	\$	300	
Social Security		19	
Pensions		31	

(Continued)

Exhibit J-7

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 (Cont.)</u>			
Employer Medicare	\$	4	
Diesel Fuel		<u>150</u>	
Total Transportation			\$ 504
<u>Operation of Non-Instructional Services</u>			
<u>Food Service</u>			
Food Supplies	\$	<u>560</u>	
Total Food Service			<u>560</u>
Total School Federal Projects Fund			<u>\$ 809,903</u>
Total Governmental Funds - Lake County School Department			<u><u>\$ 10,783,372</u></u>

Exhibit J-8

Lake County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2019

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 167,654
Total Cash Receipts	<u>\$ 167,654</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 165,977
Trustee's Commission	<u>1,677</u>
Total Cash Disbursements	<u>\$ 167,654</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2018	<u>0</u>
Cash Balance, June 30, 2019	<u><u>\$ 0</u></u>

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# SINGLE AUDIT SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

**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, 2019, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 13, 2019. 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 deficiencies, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses: 2019-001 and 2019-002.

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 following deficiencies, described in the accompanying Schedule of Findings and Questioned Costs, to be significant deficiencies: 2019-003(A,C,D,F), 2019-005, and 2019-009.

### **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: 2019-003(B,E), 2019-004, 2019-006, 2019-007, and 2019-008.

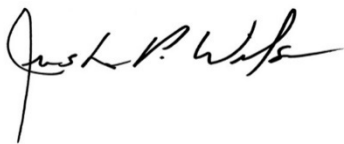
### **Lake County's Responses to the Findings**

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

December 13, 2019

JPW/yu



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

**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, 2019. 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, 2019.

### **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.

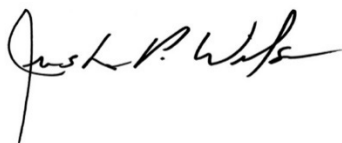
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



## 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, 2019, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated December 13, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

December 13, 2019

JPW/yu

Lake County, Tennessee, and the Lake County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (6)  
For the Year Ended June 30, 2019

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	\$ 157,630
National School Lunch Program	10.555	N/A	359,425 (5)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	45,230 (5)
Total U.S. Department of Agriculture			\$ 562,285
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	\$ 9,000
Home Investment Partnerships Program	14.239	N/A	3,000
Total U.S. Department of Housing and Urban Development			\$ 12,000
U.S. Department of Interior:			
Direct Program:			
Payments in-lieu-of Taxes	15.226	N/A	\$ 7,460
Total U.S. Department of Interior			\$ 7,460
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(4)	\$ 4,500
Total U.S. Department of Justice			\$ 4,500
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIOA Cluster: (3)			
WIA Youth Activities	17.259	(4)	\$ 4,910
Total U.S. Department of Labor			\$ 4,910
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 478,824
Special Education Cluster: (3)			
Special Education - Grants to States	84.027	N/A	236,005
Special Education - Preschool Grants	84.173	N/A	11,230
Career and Technical Education - Basic Grants to States	84.048	N/A	20,509
Twenty-first Century Community Learning Centers	84.287	N/A	152,699
Rural Education	84.358	N/A	11,558
Supporting Effective Instruction State Grant	84.367	N/A	28,822
Total U.S. Department of Education			\$ 939,647
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Aging Cluster: (3)			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(4)	\$ 52,761
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	GG1960641	59,193
Passed-through State Department of Human Services:			
CCDF Cluster: (3)			
Child Care and Development Block Grant	93.575	(4)	22,955
Total U.S. Department of Health and Human Services			\$ 134,909

(Continued)

Lake County, Tennessee, and the Lake County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (6) (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)	\$ 3,269
Emergency Management Performance Grants	97.042	(4)	12,300
Total U.S. Department of Homeland Security			<u>\$ 15,569</u>
Total Federal Awards			<u>\$ 1,681,280</u>
Contract Number			
<u>State Grants:</u>			
Litter Program - State Department of Transportation	N/A	(4)	\$ 25,451
Early Childhood Education - State Department of Education	N/A	(4)	303,440
Coordinated School Health - State Department of Education	N/A	(4)	94,882
Family Resource Centers - State Department of Education	N/A	(4)	29,611
Supporting Postsecondary Access in Rural Counties (SPARC) - State Department of Education	N/A	(4)	75,000
TEAM Pre-K Portfolio - State Department of Education	N/A	(4)	5,172
Safe Schools - State Department of Education	N/A	(4)	6,389
Healthy Active Built Environment - State Department of Health	N/A	(4)	20,000
Read to be Ready - State Department of Education	N/A	(4)	10,000
Total State Grants			<u>\$ 569,945</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
(2) Lake County elected not to use the 10% de minimis cost rate permitted in the Uniform Guidance.  
(3) Child Nutrition Cluster total \$562,285, WIOA Cluster total \$4,910; Special Education Cluster total \$247,235;  
Aging Cluster total \$52,761; CCDF Cluster total \$22,955.  
(4) Information not available.  
(5) Total for CFDA No. 10.555 is \$404,655.

(6) SCHOOL-WIDE PROGRAM

The following amounts were consolidated for School-wide Program:

Program Title	Federal CFDA Number	Amount Provided to Schoolwide Program
Title I	84.010	\$ 478,824
Special Education Cluster	84.027	247,235
Career and Technical Education - Basic Grants to States	84.048	20,509
Twenty-first Century Community Learning Centers	84.287	152,699
Rural Education	84.358	11,558
Supporting Effective Instruction State Grant	84.367	28,822
Total amounts consolidated for School-wide Program		<u>\$ 939,647</u>

Lake County, Tennessee  
Summary Schedule of Prior-year Findings  
For the Year Ended June 30, 2019

*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, 2019.

***Prior-year Financial Statement Findings***

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<b><u>OFFICE OF COUNTY MAYOR</u></b>					
2018	168	2018-001	The General Debt Service Fund Required Material Audit Adjustments for Proper Financial Statement Presentation	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	169	2018-002	The Office had Deficiencies in Budget Operations	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	170	2018-003	General Ledger Payroll Deduction Accounts were not Reconciled with Payroll Reports and Payments in the General and Solid Waste/Sanitation Funds	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	171	2018-004	General Ledger Cash Accounts were not Reconciled with County Trustee Reports Monthly	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	171	2018-005	The Solid Waste/Sanitation Fund had a Deficit in Unassigned Fund Balance at June 30, 2018	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	172	2018-006	The Office Did Not File a Report on Debt Obligation with the State Comptroller's Office in a Timely Manner	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	172	2018-007	The Office had Deficiencies in Purchasing Procedures	N/A	Corrected
<b><u>OFFICE OF DIRECTOR OF SCHOOLS</u></b>					
2018	173	2018-008	The Office had Deficiencies in Budget Operations	N/A	Corrected
<b><u>OFFICES OF COUNTY MAYOR, DIRECTOR OF SCHOOLS, SHERIFF, AND THE AMBULANCE SERVICE</u></b>					
2018	174	2018-009	Duties were not Segregated Adequately - County Mayor, Sheriff, and the Ambulance Service	N/A	Not Corrected - See Explanation on Corrective Action Plan
2018	174	2018-009	Duties were not Segregated Adequately - Director of Schools	N/A	Corrected

***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, 2019**

**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? **NO**

**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 84.010 Title I Grants to Local Educational Agencies
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 2019-001**

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

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

At June 30, 2019, certain general ledger account balances in the General and General Debt Service funds were not materially correct, and audit adjustments totaling \$403,869 and \$61,533, respectively, were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Lake County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight, management's failure to correct the finding noted in the prior-year audit report, and management's failure to implement their corrective action plan. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

#### **RECOMMENDATION**

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

#### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

We concur with this finding. We will make sure accruals are properly calculated and posted to the accounting records at year-end.

---

FINDING 2019-002

**LAKE COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**

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

Lake County has a material audit finding that has been reported in its annual financial report for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
2017-001, 2018-001, 2019-001	Material audit adjustments were required for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. Lake County appointed an Audit Committee during fiscal year 2013, to address financial and other reporting practices, internal control, compliance with laws and regulation, and ethics.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur with this finding. We will make every effort to post year-end accruals in the future. In the past, these were posted by the County Technical Assistance Service. Now that my staff is aware, they will post the entries.

FINDING 2019-003

**THE OFFICE HAD ACCOUNTING DEFICIENCIES**

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

The following deficiencies were noted during our examination of the office’s accounting records. These deficiencies exist due to a lack of management oversight, a lack of understanding of internal controls, and the failure of management to take proper responsibility for the accounting records. Also, these deficiencies exist because management failed to correct the finding noted in the prior-year audit report and failed to implement their corrective action plan.

- A. The office did not accurately reconcile its check clearing bank account and accurately prepare lists of outstanding checks. A list of outstanding checks at June 30, 2019, was prepared; however, the account did not reconcile with the general ledger by \$41,483 since all errors had not been corrected or identified. The monthly reconciliation of bank statements and the accurate preparation

of lists of outstanding checks are necessary procedures to ensure all transactions are recorded properly in the accounting records. The Trustee's Office maintains this bank clearing account for checks written by the County Mayor's Office; however, the County Mayor's Office is responsible for reconciling this account with the trustee's general ledger balance.

- B. The office did not properly reconcile the general ledger cash account in the General Fund with county trustee's reports. The office attempted to reconcile the cash account with the trustee's reports monthly; however, the account did not reconcile by \$41,530 at June 30, 2019. Section 9-2-138, *Tennessee Code Annotated (TCA)*, requires officials to reconcile their respective fund accounts with the trustee's reports monthly. Failure to reconcile the general ledger cash account with the county trustee's reports increases the risks that errors may occur and not be detected.
- C. General ledger payroll liability accounts were not reconciled with subsidiary payroll records and payments each month in the General and Solid Waste/Sanitation funds. As a result, unidentified balances accumulated in the liability accounts for several payroll deductions. Sound business practices dictate that payroll liability accounts should be reconciled with payroll reports and payments monthly. The failure to regularly reconcile payroll liability accounts is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner.
- D. Accounts receivables and payables were not recorded in the accounting records of the General, Solid Waste/Sanitation, and General Debt Service funds at June 30, 2019. Sound business practices dictate that all receivables and payables should be determined and posted to the accounting records prior to closing the records at year-end. Additional audit procedures were performed to properly determine receivables and payables at June 30, 2019. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.
- E. Accounting records for the year ended June 30, 2019, were not closed and available for audit until October 22, 2019. Section 9-2-102, *TCA*, requires officials to close their official accounting records and to have those records available for audit no later than two months after the end of the fiscal year; therefore, these records should have been closed by August 31, 2019. Consequently, accounting records were not available on a timely basis for audit or for officials and the county commission to use as a tool for financial decisions.
- F. Monthly accounting records have not been closed on a timely basis subsequent to June 30, 2019. As of December 2019, accounting records have not been closed since June 2019. The failure to maintain accounting records on a current basis diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary and accounting control.



## RECOMMENDATION

Bank statements should be reconciled accurately with the general ledger monthly, and any errors discovered should be corrected promptly. Accurate lists of outstanding checks should be prepared monthly. The office should reconcile its general ledger cash accounts with the county trustee's reports monthly as required by state statute, and any errors discovered should be corrected promptly. General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and any errors discovered should be corrected promptly. Receivables and payables should be properly determined and recorded in the accounting records during year-end closing. The office should close its accounting records and have those records available for audit by August 31<sup>st</sup> each year as required by state statute. The office should always maintain accounting records on a current basis and have financial statements available each month.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur with this finding. All months for the fiscal year were closed and reconciled with the trustee except for June 2019. This was due to an error in payroll that was misdated and was being worked on by the bookkeeper and Local Government Data Processing Corporation. This took more time than expected. At year-end, the only funds not balanced with the trustee were the General Fund by \$47.32 and the General Debt Service Fund by \$.01.

## AUDITOR'S COMMENT

The office had not reconciled its check clearing bank account, which had unidentified and uncorrected errors of \$41,483. As a result, the general ledger cash account in the General Fund did not reconcile by \$41,530.

---

## FINDING 2019-004

### **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

(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 appropriations approved by the county commission in eight of 33 major appropriation categories (the legal level of control) of the General Fund, one of five major appropriation categories in the Solid Waste/Sanitation Fund, and in two of five major appropriation categories in the General Debt Service Fund as reflected in the following table:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
General Government - County Commission	\$ 255
General Government - County Mayor/Executive	309
General Government - County Buildings	3,557
Administration of Justice - Juvenile Court	1,406
Administration of Justice - Courtroom Security	1,997
Social, Cultural, and Recreational Services - Senior Citizens Assistance	3,766
Other Operations - Tourism	1,000
Other Operations - Other Charges	882
Solid Waste/Sanitation:	
Public Health and Welfare - Waste Incinerator	8,062
General Debt Service:	
Principal on Debt - Education	1,190
Other Debt Service - General Government	2,786

- B. Salaries exceeded appropriations in 11 of 65 salary line-items of the General Fund by amounts ranging from \$444 to \$10,500. 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.
- C. The budget and subsequent amendments approved by the county commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$24,097. 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

We concur with this finding. Budget amendments were done for necessary line-items. We will take into consideration the timing they are entered and any outstanding bills for the month of June to avoid this in the future.

FINDING 2019-005

**THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2019**

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

The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance of \$4,183 at June 30, 2019. This deficit resulted from a lack of management oversight, which allowed expenditures to exceed available funds. 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

We concur with this finding. The county commission raised taxes to make sure there are enough funds to pay bills for the Solid Waste/Sanitation Fund.

FINDING 2019-006

**THE OFFICE DID NOT PROPERLY FILE REPORTS ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE**

(Noncompliance Under *Government Auditing Standards*)

The office did not properly file Reports on Debt Obligation with the state Comptroller's Office for a capital outlay note, tax anticipation note, energy efficiency loan, and a lease-purchase agreement. On July 12, 2018, the office issued a \$60,000 capital outlay note to purchase patrol cars; on August 20, 2018, the county issued a \$1,694,232 Energy Efficiency Schools Initiative Loan for school energy improvements; and on August 30, 2018, the county issued a \$150,000 tax anticipation note from the General Debt Service Fund to the General Fund. The office did not file the Reports on Debt Obligation with the state Comptroller's Office until September 19, 2019, November 15, 2019, and April 2, 2019, respectively, when it was brought to their attention during the audit. On December 18, 2018, the office issued a lease-purchase agreement for a wheel loader. The office did not file a Report on Debt Obligation with the

state Comptroller's Office for the lease-purchase agreement. Section 9-21-151, *Tennessee Code Annotated (TCA)*, 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, management's failure to correct the finding noted in the prior-year audit report, and management's failure to implement their corrective action plan.

#### RECOMMENDATION

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

We concur with this finding. We made an effort to complete this requirement. We will continue to send in all debt obligation forms to the best of our ability.

---

#### FINDING 2019-007

#### **AN INTERFUND LOAN WAS NOT ISSUED IN ACCORDANCE WITH STATE STATUTE** (Noncompliance Under *Government Auditing Standards*)

During July 2018, the General Fund transferred \$10,000 to the Solid Waste/Sanitation Fund to provide cash flow for operations of the Solid Waste/Sanitation Fund. This transfer was in effect an interfund loan that was not approved by the county commission and the state Comptroller's Office as required by Section 9-21-408, *Tennessee Code Annotated*. The loan was repaid on August 8, 2018. This deficiency was the result of a lack of management oversight and the failure to follow state statute.

#### RECOMMENDATION

Interfund loans should be properly issued in accordance with state statute.

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur with this finding. The county commission is informed of money transferred between funds in most cases. The only time they are not consulted prior to the transfer would be in the event of the need for immediate funds. We will strive to ensure funds are always available with county commission approval to avoid this finding in the future.

#### AUDITOR'S COMMENT

Transfers made to provide temporary cash flow for operations with the intent of being repaid before year-end are in effect interfund loans that require approval of the county commission and the state Comptroller's Office.

## **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 2019-008**

### **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF A VEHICLE**

(Noncompliance 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 28 disbursements totaling \$687,134 from a population of 1,278 vendor checks totaling \$3,919,500. Our examination revealed that competitive bids were not solicited for a vehicle that cost \$24,200. Purchasing procedures for the school department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *Tennessee Code Annotated*. This statute requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. This deficiency is the result of a lack of management oversight. The failure to solicit competitive bids could result in the school department paying more than the most competitive price.

### **RECOMMENDATION**

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute.

## **MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS**

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

---

## **OFFICES OF COUNTY MAYOR, SHERIFF, AND THE AMBULANCE SERVICE**

**FINDING 2019-009**

### **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, 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

We concur with this finding. With limited resources and funding, we only have a two-person staff, excluding the county mayor. We attempt to segregate duties the best we can and will continue to do so in the future.

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, 2019.

**Lake County, Tennessee**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2019**

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**

2019-001	The General and General Debt Service Funds Required Material Audit Adjustments for Proper Financial Statement Presentation	185
2019-002	Lake County has a Material Recurring Audit Finding	186
2019-003	The Office had Accounting Deficiencies	187
2019-004	The Office had Deficiencies in Budget Operations	188
2019-005	The Solid Waste/Sanitation Fund had a Deficit in Unassigned Fund Balance at June 30, 2019	189
2019-006	The Office did not Properly File Reports on Debt Obligation with the State Comptroller's Office	190
2019-007	An Interfund Loan was not Issued in Accordance with State Statute	191

**OFFICE OF DIRECTOR OF SCHOOLS**

2019-008	Competitive Bids were not Solicited for the Purchase of a Vehicle	192
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**OFFICES OF COUNTY MAYOR, SHERIFF, AND THE AMBULANCE SERVICE**

2019-009	Duties were not Segregated Adequately - Mayor and Ambulance Service	193
2019-009	Duties were not Segregated Adequately - Sheriff	194



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

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

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

**Anticipated Completion Date of Corrective Action:**  
June 30, 2020

**Repeat Finding:**  
Yes

**Reason Corrective Action was Not Taken in the Prior Year:**  
The office failed to set up receivables, deferred revenue, and payables at year-end. Staff was unaware that they could actually enter the required Journal Entries since CTAS has been doing this in the past.

**Planned Corrective Action:**  
We will make sure accruals are properly calculated and posted to the accounting records at year-end.

---

TELEPHONE  
731/253-7382

## DENNY JOHNSON

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



**FINDING: LAKE COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**

**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, 2020

**Repeat Finding:**  
No

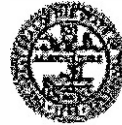
**Planned Corrective Action:**  
We will make every effort to properly post year-end accruals to ensure that the material audit adjustment finding is not required in the future.

---

TELEPHONE  
731/263-7382

## DENNY JOHNSON

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



**FINDING: THE OFFICE HAD ACCOUNTING DEFICIENCIES**

**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, 2020

**Repeat Finding:**  
Yes – Parts B and C are repeat findings.

**Reason Corrective Action was Not Taken in the Prior Year:**  
We were able to reconcile all months with the exception of June 2019 due to a misdated payroll, which required Local Government to assist with the correction. Once corrected year end was closed with a difference of \$47.32 in Fund 101 and .01 (one cent) in Fund 151.

**Planned Corrective Action:**  
The current staff will work closely with the Trustee's Office to balance monthly. Cash will be reconciled on a current basis. We will continue to work to reconcile the payroll deduction accounts, which are offset due to the way the Bi-Weekly payroll is set up. Accounting records will be reconciled and closed monthly. Receivables and payables will be set up at year-end.

---

TELEPHONE  
731/253-7382

## DENNY JOHNSON

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



**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, 2020

**Repeat Finding:**  
Yes

**Reason Corrective Action was Not Taken in the Prior Year:**  
We attempted to monitor expenses, but in some instances, expenditures still exceeded appropriations. Budget Amendments were done but should have been done after ensuring all bills for month of June were paid.

**Planned Corrective Action:**  
Management will continue to work with other departments to keep expenditure within budget and if any Budget Amendments are necessary they will be done after all year end bills are paid.

---

TELEPHONE  
731/253-7382

## DENNY JOHNSON

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



**FINDING: THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2019**

**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, 2020

**Repeat Finding:**  
Yes

**Reason Corrective Action was Not Taken in the Prior Year:**  
We made attempts to correct this issue; however, a deficit remained at year-end.

**Planned Corrective Action:**  
Management will continue to work with the Solid Waste Director to control expenses and seek necessary revenue to cover expenses.

---

TELEPHONE  
731/253-7382

## DENNY JOHNSON

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



**FINDING: THE OFFICE DID NOT PROPERLY FILE REPORTS ON  
DEBT OBLIGATION WITH THE STATE  
COMPTROLLER'S OFFICE**

**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, 2020

**Repeat Finding:**  
Yes

**Reason Corrective Action was Not Taken in the Prior Year:**  
Although in most cases, the form was filed, it was not always filed in a timely manner.

**Planned Corrective Action:**  
We will reach out to other departments on occasion to remind them to notify us in the event of any accrued debt so we can file the Debt Obligation form in a timely manner.

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TELEPHONE  
731/253-7382

## DENNY JOHNSON

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



**FINDING: AN INTERFUND LOAN WAS NOT ISSUED IN ACCORDANCE WITH STATE STATUTE**

**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, 2020

**Repeat Finding:**  
No

**Planned Corrective Action:**  
We will seek approval of the County Commission and the Comptroller's Office before making these transfers in the future.

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# 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: COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF A VEHICLE**

**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:**  
June 30, 2020

**Repeat Finding:**  
No

**Planned Corrective Action:**  
We will make sure we comply with the purchasing laws and solicit competitive bids for purchases exceeding \$10,000.

### Board Members

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

### 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

Sherry Darnell, Director of Schools



TELEPHONE  
731/253-7382

## DENNY JOHNSON

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



**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, 2020

**Repeat Finding:**  
Yes

**Reason Corrective Action was Not Taken in the Prior Year:**  
We have limited resources and funding.

**Planned Corrective Action:**  
Management will continue to work with existing staff to properly segregate duties.

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Sincerely,

A handwritten signature in cursive script that reads "Denny Johnson".

---

Denny Johnson, Lake County Mayor



**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

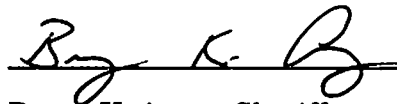
**Person Responsible for Implementing the Corrective Action:**  
Neina Ceaser, Bookkeeper

**Anticipated Completion Date of Corrective Action:**  
June 30, 2020

**Repeat Finding:**  
Yes

**Reason Corrective Action was Not Taken in the Prior Year:**  
We fell short of our plan to segregate duties. 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. .

  
\_\_\_\_\_

Bryan K. Avery, Sheriff

## **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.