

# **PRELIMINARY OFFICIAL STATEMENT**

**\$2,600,000\***

**LAKE COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2016**  
**(Federally Taxable)**

OFFERED FOR SALE NOT SOONER THAN

February 24, 2016 at 10:15 a.m., E.S.T.  
Through the Facilities of **PARITY®**

at the  
**OFFICES OF**  
**Cumberland Securities Company, Inc.**  
**Knoxville, Tennessee**

**Cumberland Securities Company, Inc.**  
Financial Advisor

February 12, 2016

\* Preliminary, subject to change.



**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 12, 2016**

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is included in gross income for federal income tax purposes. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer, and estate taxes and Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)*

**\$2,600,000\***  
**LAKE COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2016**  
**(Federally Taxable)**

Dated: Date of delivery (assume March 24, 2016).

Due: June 1 (as shown below)

The \$2,600,000\* General Obligation Refunding Bonds, Series 2016 (Federally Taxable) (the "Bonds") of Lake County, Tennessee (the "County" or the "Issuer") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records at the principal designated trust office of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable to the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2016	\$ 25,000				2027	\$125,000			
2017	100,000				2028	130,000			
2018	100,000				2029	135,000			
2019	100,000				2030	140,000			
2020	100,000				2031	145,000			
2021	105,000				2032	155,000			
2022	105,000				2033	160,000			
2023	110,000				2034	165,000			
2024	115,000				2035	170,000			
2025	115,000				2036	180,000			
2026	120,000								

(Accrued Interest to be added)

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Preliminary Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from the County by Hal J. Boyd, Esquire, counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about March \_\_, 2016.

**Cumberland Securities Company, Inc.**  
*Financial Advisor*

February \_\_, 2016

\* Preliminary, subject to change

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, as herein after defined, the Disclosure Certificate, as herein after defined, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such acts. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Financial Advisor or the Underwriter, as herein after defined, to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Financial Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

\*\* These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

## LAKE COUNTY, TENNESSEE

### OFFICIALS

*County Mayor*  
*County Clerk*  
*Director of Schools*  
*County Trustee*  
*County Attorney*

Denny Johnson  
Jo Ann Mills  
Sherry Darnell  
Tammie Hopper  
Hal J. Boyd

### COUNTY LEGISLATIVE BODY

Nicky Hayes, Jr.  
Wayne Hatley  
Steve Jones  
Joyce McCoy  
Terry Pierce

Danny Tippit, Jr.  
Brent Work  
Tim Windsor  
Jimmy Yates

### BOND COUNSEL

Glankler Brown, PLLC  
Memphis, Tennessee

### REGISTRATION AND PAYING AGENT

Regions Bank  
Nashville, Tennessee

### FINANCIAL ADVISOR

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



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## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer .....	Lake County, Tennessee (the “County” or “Issuer”). See the section entitled “Supplemental Information Statement” for more information.
Securities Offered .....	\$2,600,000* General Obligation Refunding Bonds, Series 2016 (Federally Taxable) (the “Bonds”) of the County, dated the date of delivery (estimated to be March 24, 2016). The Bonds will mature each June 1 beginning June 1, 2016 through June 1, 2036, inclusive. See the section entitled “SECURITIES OFFERED – Authority and Purpose”.
Security .....	The Bonds shall be payable from unlimited <i>ad valorem</i> taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are hereby irrevocably pledged. The Bonds shall be additionally payable from the revenues derived from or related to the Project, subject to the payment of reasonable and necessary costs of operation, maintaining, repairing and insuring the Project.
Purpose .....	The Bonds are being issued for the purposes of providing funds (i) to refinance, in whole or in part, the Outstanding Bonds of the County, as described herein, and (ii) to pay costs incident to the issuance and sale of its general obligation refunding bonds to be issued for such purposes.
Project .....	The acquisition of land for the development of port facilities, docks, and dock facilities, including terminal storage and transportation facilities incident thereto and related infrastructure and an industrial park and related infrastructure (including streets, roads, water, sewer and storm drainage systems) and all property real and personal appurtenant thereto, including engineering, legal, fiscal and administrative costs incident to the forgoing.
Optional Redemption .....	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters .....	In the opinion of Bond Counsel, interest on the Bonds is included in gross income for federal income tax purposes. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “(See “LEGAL MATTERS -Tax Matters” herein.)
Rating .....	Standard & Poor’s: “A”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Underwriter .....	_____.
Financial Advisor .....	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor; Related Parties Other”, herein.
Bond Counsel .....	Glankler Brown, PLLC, Memphis, Tennessee.

\*Preliminary, subject to change.

Book-Entry-Only .....The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry System”

Registration/Paying Agent.....Regions Bank, Nashville, Tennessee.

General .....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

Disclosure .....In accordance with Rule 15c2-12 of the U.S. Securities and Exchange Commission as amended, the County will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State information depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information .....The information in the *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information allowed to be omitted pursuant to Rule 15c2-12. For more information concerning the County or this *Preliminary Official Statement* contact The Honorable Denny Johnson, County Mayor, 116 S. Court Street, Tiptonville, TN 38079, Telephone: (731) 253-7582, or the District's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Additional information regarding **BIDCOMP™/PARITY®** may be obtained from **PARITY®**, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: (800) 850.7422.

## GENERAL FUND BALANCES

### Summary of Changes In Fund Balances For the Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Beginning Fund Balance	\$1,520,620	\$1,199,022	\$1,039,266	\$954,566	\$919,778
Revenues	2,786,802	3,223,748	3,236,150	3,176,919	3,339,111
Expenditures	3,101,864	3,363,735	3,300,850	3,217,790	3,506,533
Excess (Deficiency) of Revenues Over Expenditures	(315,062)	(139,987)	(64,700)	(40,871)	(167,422)
Note / Bond Proceeds	-	-	-	-	-
Insurance Recovery	14,964	231	-	8,083	-
Transfers In (Out)	(21,500)	(20,000)	(20,000)	(2,000)	-
<b>Ending Fund Balance</b>	<b><u>\$1,199,022</u></b>	<b><u>\$1,039,266</u></b>	<b><u>\$954,566</u></b>	<b><u>\$919,778</u></b>	<b><u>\$752,356</u></b>

Source: Comprehensive Annual Financial Reports of the County.

NOTICE OF SALE

**\$2,600,000\***

**LAKE COUNTY, TENNESSEE**

**General Obligation Refunding Bonds, Series 2016**  
**(Federally Taxable)**

NOTICE IS HEREBY GIVEN that the County Mayor of Lake County, Tennessee (the “County” or “Issuer”) will receive electronic or written bids for the purchase of all, but not less than all, of the County's \$2,600,000\* General Obligation Refunding Bonds, Series 2016 (Federally Taxable) (the “Bonds”) at the office of the County’s Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863, until **10:15 a.m. E.S.T. on February , 24, 2016**. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:30 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the “Detailed Notice of Sale”) and dated their date of issuance and delivery (assume March 24, 2016) and will mature on June 1, 2016 through June 1, 2036, inclusive with term bonds optional, and will be subject to optional redemption prior to maturity on or after June 1, 2021. Bidders must bid not less than ninety-eight and one-half percent (98.50%) of par or no more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the County by Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the County Mayor of the County on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained from the undersigned The Honorable Denny Johnson, County Mayor, 116 S. Court Street, Tiptonville, TN 38079, Telephone: (731) 253-7582 or from the County’s Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York, 10018, Telephone: 212-849-5000.

/s/ Denny Johnson  
County Mayor

\* Preliminary, subject to change.

## DETAILED NOTICE OF SALE

**\$2,600,000\***

### **LAKE COUNTY, TENNESSEE**

### **General Obligation Refunding Bonds, Series 2016 (Federally Taxable)**

NOTICE IS HEREBY GIVEN that electronic or written bids will be received by the County Mayor of Lake County, TENNESSEE (the “County” or “Issuer”), all or none, until 10:15 a.m. E.S.T. on February, 24, 2016 (or at such later time and date announced at least forty-eight hours in advance via Bloomberg News Service or the **PARITY**® system) for the purchase of \$2,600,000\* General Obligation Refunding Bonds, Series 2016 (Federally Taxable) (the “Bonds”). Electronic bids must be submitted through **PARITY**® as described in this “Detailed Notice of Sale.” In case of written bids, bids will be received by the County’s Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the County reserves the right to adjust the principal amount of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY**® System not later than 9:30 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the **PARITY**® System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2016.

The Bonds will mature and be payable on June 1 of each year as outlined below:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2016	\$ 25,000	2027	\$125,000
2017	100,000	2028	130,000
2018	100,000	2029	135,000
2019	100,000	2030	140,000
2020	100,000	2031	145,000
2021	105,000	2032	155,000
2022	105,000	2033	160,000
2023	110,000	2034	165,000
2024	115,000	2035	170,000
2025	115,000	2036	180,000
2026	120,000		

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates (the “Bond Certificates”) will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only System will evidence beneficial ownership interests of the Bonds in the principal amount

\* Preliminary, subject to change.

of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC, pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity, to DTC or its nominee, as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The County will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use of the Book-Entry-Only system is not required.

In the event that the Book-Entry-Only system for the Bonds is discontinued and a successor securities depository is not appointed by the County, Bond Certificates in fully registered form will be delivered to, and registered in the names of the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the County and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds shall be payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are hereby irrevocably pledged. The Bonds shall be additionally payable from the revenues derived from or related to the Project, as defined herein, subject to the payment of reasonable and necessary costs of operation, maintaining, repairing and insuring the Project

Purpose. The Bonds are being issued for the purposes of providing funds (i) to refinance, in whole or in part, the Outstanding Bonds of the County, as described herein, and (ii) to pay costs incident to the issuance and sale of its general obligation refunding bonds to be issued for such purposes.

Optional Redemption. The Bonds maturing on and after June 1, 2022 will be subject to optional redemption prior to maturity at the option of the County on and after June 1, 2021 at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such series of Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the County at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the same manner as above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The County will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are

to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine and one-half percent (98.50%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**<sup>®</sup> via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The County will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**<sup>®</sup> shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**<sup>®</sup> shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the County. The County shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**<sup>®</sup>. The use of **PARITY**<sup>®</sup> facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**<sup>®</sup>, potential bidders may contact i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the County's Financial Advisor, Cumberland Securities Company, Inc., at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The County and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the District's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT. .

Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the County to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the County to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the County Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

*The County reserves the right to reject all bids and to waive informalities in the bids accepted.*

Adjustment and/or Revision. While it is the County's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the County Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to \$650,000. Among other

factors the County Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the County. Additionally, the County Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only happen if the bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Standard Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the County's Financial Advisor (via wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the County's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the County as liquidated damages.

In the event of the failure of the County to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the County to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriter(s) expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the County.

In addition, within two hours of the award of the Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel stating: (i) the reoffering prices (as shown in the bidder's winning bid); (ii) that the successful bidder will make a bona fide public offering of all of the Bonds at such reoffering prices; and (iii) that the successful bidder reasonably expects that the Bonds (or at least 10% of each maturity of the Bonds) will be sold to the public (excluding bond houses, brokers and other intermediaries) at those reoffering prices.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the County confirming that nothing has come to the bidder's attention that would lead it to believe that its certification with respect to the reoffering prices of the Bonds given in connection with the award of the Bonds is inaccurate, and addressing such other matters as to the reoffering prices of the Bonds as bond counsel may request.

Legal Opinion. The unqualified approving opinion of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel along with other certificates including, but not limited to, a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the County. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that the interest on the Bonds is included from gross income for federal income tax purposes. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the County will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the County by not later than twelve months after each of the County's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If the County is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the County either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the County's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is currently expected on or about March 24, 2016.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the County. The County will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The County has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The County will furnish the successful bidder at the expense of the County a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder(s) to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the County and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the County's Financial Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**® may be obtained from i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Denny Johnson, County Mayor



**BID FORM**  
(Written Alternative)

Honorable Denny Johnson, County Mayor  
116 S. Court Street  
Tiptonville, TN 38079

February 24, 2016

Dear Mayor Johnson:

For your legally issued, properly executed \$2,600,000\* General Obligation Refunding Bonds, Series 2016 (Federally Taxable) (the "Bonds") of Lake County, Tennessee (the "County") in all respects as more fully outlined in your Notices of Sale which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_.

The Bonds shall be dated the date of delivery (assume March 24, 2016) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2016	\$ 25,000	_____%	2027	\$125,000	_____%
2017	100,000	_____%	2028	130,000	_____%
2018	100,000	_____%	2029	135,000	_____%
2019	100,000	_____%	2030	140,000	_____%
2020	100,000	_____%	2031	145,000	_____%
2021	105,000	_____%	2032	155,000	_____%
2022	105,000	_____%	2033	160,000	_____%
2023	110,000	_____%	2034	165,000	_____%
2024	115,000	_____%	2035	170,000	_____%
2025	115,000	_____%	2036	180,000	_____%
2026	120,000	_____%			

We have the option to designate two or more consecutive serial maturities of the Bonds as term bond maturities as indicated:

Term Bond 1: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 2: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 3: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 4: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 5: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 6: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 7: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

Term Bond 8: Maturities from June 1, 20\_\_\_\_\_ through June 1, 20\_\_\_\_\_ @ \_\_\_\_\_%.

It is our understanding that the Bonds will be issued subject to the final approving opinion of Glankler Brown, PLLC, Bond Counsel, Memphis, Tennessee, whose opinion together with the executed Bonds, will be furnished by the County without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the aggregate principal amount of the Bonds on which we have bid by the close of business on the date of the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

Accepted for and on behalf of the  
Lake County, Tennessee, this  
24<sup>th</sup> day of February, 2016.

\_\_\_\_\_  
Denny Johnson, County Mayor

Respectfully submitted,

\_\_\_\_\_  
\_\_\_\_\_

Total interest cost from  
March 24, 2016 to final maturity \$ \_\_\_\_\_  
Less: Premium /plus discount, if any \$ \_\_\_\_\_  
Net Interest Cost ..... \$ \_\_\_\_\_  
True Interest Rate ..... %

*The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*



**\$2,600,000\***  
**LAKE COUNTY, TENNESSEE**  
**General Obligation Refunding Bonds, Series 2016**  
**(Federally Taxable)**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Preliminary Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Lake County, Tennessee (the “County” or “Issuer”) of its \$2,600,000\* General Obligation Refunding Bonds, Series 2016 (Federally Taxable) (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Part 10, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the “Resolution”) duly adopted by the County Commission of the County on May 11, 2015 and reaffirmed on February 15, 2016.

The Bonds are being issued for the purposes of providing funds (i) to refinance, in whole or in part, the Outstanding Bonds of the County, as described herein, and (ii) to pay costs incident to the issuance and sale of its general obligation refunding bonds to be issued for such purposes. The Bonds shall be additionally payable from the revenues derived from or related to the Project, subject to the payment of reasonable and necessary costs of operation, maintaining, repairing and insuring the Project.

**DESCRIPTION OF THE BONDS**

The Bonds will be initially dated and bear interest from their date of issuance and delivery (assume March 24, 2016). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2016. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the County Mayor and shall be attested by the County Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

**REFUNDING PLAN**

The County is proposing to refinance the General Obligation Bonds, Series 2007, (Taxable) dated January 3, 2007, maturing June 1, 2036 (the “Outstanding Bonds”). The

Outstanding Bonds will be called for redemption on June 1, 2016 at the redemption price of par plus accrued interest.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Outstanding Bonds was submitted to the Director of State and Local Finance for review and that office's report on the Plan was submitted to the County.

## **PROJECT**

The Outstanding Bonds were issued to finance the acquisition of land for and development of port facilities, docks and dock facilities, including any terminal storage and transportation facilities incident thereto and related infrastructure and an industrial park and related infrastructure (including streets, roads, water, sewer and storm drainage systems) and all property real and personal appurtenant thereto, to pay engineering, legal, fiscal and administrative costs incident to the foregoing (the “Project”).

## **SECURITY**

The Bonds shall be payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the County are hereby irrevocably pledged. The Bonds shall be additionally payable from the revenues derived from or related to the Project, subject to the payment of reasonable and necessary costs of operation, maintaining, repairing and insuring the Project.

The County through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

The Bonds will not be obligations of the State of Tennessee.

## **OPTIONAL REDEMPTION OF THE BONDS**

The Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the County Legislative Body, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

## MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply.

Subject to the credit hereinafter provided, the County shall redeem Bonds maturing June 1, 20\_\_, and June 1, 20\_\_ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the County may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the County on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The County shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

## **PAYMENT OF BONDS**

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15<sup>th</sup> day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

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## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Registration and Paying Agent, Regions Bank, Nashville, Tennessee, its successor (the “Registration Agent”) or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as denoted in the following section titled “Book-Entry-Only System”. However, if the winning bidder certifies to the County that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as herein after defined, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners (as herein after defined) of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book Entry Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of

U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.



*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the County will attempt to locate another qualified

securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be applied by the County as follows:

- (a) all accrued interest, if any, shall be deposited to the Bond Fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) the County shall pay all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.
- (c) an amount, which together with investment earnings thereon and legally available funds of the County, if any, that will be sufficient to pay principal of, premium, if any, and interest on the portion of the Outstanding Bonds being refunded shall be immediately applied for such purpose; and
- (c) any remaining proceeds (including any returned proceeds) shall be deposited in the Bond Fund and applied to the payment of the next due interest) and for principal on the Bonds, or to buy Bonds in the open market, as directed by Bond Counsel.

## **DISCHARGE AND SATISFACTION OF BONDS**

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

- (a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;
- (b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or
- (c) By delivering such Bonds to the Registration Agent for cancellation by it;

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes of this Section, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section,

which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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## LEGAL MATTERS

### LITIGATION

There are no claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Bonds. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds.

### TAX MATTERS

#### Federal

*Disclaimer.* Glankler Brown, PLLC, Memphis, Tennessee, is Bond Counsel for the Bonds. Any discussion of the tax issues relating to the Bonds in this Official Statement was written to support the promotion or marketing of the Bonds. Such discussion was not intended or written to be used, and it cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on such person. Each investor should seek advice with respect to the Bonds based on its particular circumstances from an independent tax advisor.

*General.* The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, ownership and disposition of the Bonds.

Interest on the Bonds is included in gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Bonds in the initial offering at their stated principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Bonds. In general, interest paid on the Bonds accrual of original issue discount and market discount, if any, will be treated as ordinary income to an owner of Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

*Original Issue Discount.* The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Bonds issued with original issue discount ("Discount Bonds"). A Bond will be treated as having original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price at which a substantial amount of the Bonds of the same

maturity have first been sold to the public, excluding Bond houses and brokers) equals or exceeds one quarter of one percent of such Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Bond for each day during the taxable year in which such holder held such Discount Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable Bond premium or acquisition premium) on the Discount Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

*Market Discount.* Any owner who purchases a Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently

as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes The Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Bond at a market discount also may be required to defer, until the maturity date of such Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held the Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the Bondowner elects to include such market discount in income currently as described above.

*Bond Premium.* A purchaser who purchases a Bond at a cost greater than its then principal amount (or, in the case of a Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable Bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all Bonds held by the holder on the first day of the taxable year to which the election applies, and to all Bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable Bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable Bond premium that is applied to reduce interest payments. Purchasers of any Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

*Sale or Redemption of the Bonds.* A Bondowner's tax basis for a Bond is the price such owner pays for the Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized Bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the basis of the Bond as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Bonds may result in a deemed sale or exchange of such Bonds under certain

circumstances; owners of such Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

*Backup Withholding.* A Bondowner may, under certain circumstances, be subject to “backup withholding” (currently the rate of this withholding obligation is 28%, but the rate may change in the future) with respect to interest or original issue discount on the Bonds. This withholding generally applies if the owner of a Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number, (b) furnishes the Trustee or other payor an incorrect taxpayer identification number, (c) fails to report properly interest, dividends or other “reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to Bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount paid as backup withholding would be credited against the Bondholder’s U.S. federal income tax liability, provided that the requisite information is timely provided to the IRS. The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Bonds will be reported to the Bondowners and to the Internal Revenue Service.

*Nonresident Borrowers.* Under the Code, interest and original issue discount income with respect to Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the County (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident Bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

*ERISA.* The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Bonds.

The opinions of Bond Counsel are not intended or written by Bond Counsel to be used and cannot be used by an owner of the Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Bonds. The opinions of Bond Counsel are provided to support the promotion or marketing of the Bonds. In all events, all investors should consult their own tax



advisors in determining the Federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Bonds.

Prospective Bondholders should consult their own tax advisors regarding the foregoing matters.

### **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

### **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the

*Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Glankler Brown, PLLC, Memphis, Tennessee, Bond Counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the taxability of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – Competitive Public Sale”, “- Additional Information” and “- Continuing Disclosure.”

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## MISCELLANEOUS

### **RATING**

Standard & Poor's Rating Services ("Standard & Poor's") has given the Bonds the rating of "A".

There is no assurance that such ratings will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds.

The ratings reflect only the views of Standard & Poor's and any explanation of the significance of such ratings should be obtained from Standard & Poor's.

### **COMPETITIVE PUBLIC SALE**

The Bonds will be offered for sale at competitive public bidding on February 24, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated February 12, 2016.

The successful bidder for the Bonds was an account led by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (consisting of the par amount of the Bonds, less an underwriter's discount of \$\_\_\_\_\_ and an original issue discount of \$\_\_\_\_\_) or \_\_\_\_% of par plus accrued interest, if any, to the date of delivery.

### **FINANCIAL ADVISOR; RELATED PARTIES; OTHER**

*Financial Advisor.* Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the County to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the County, including without limitation any of the County's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the

County, any of its affiliated or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

*Regions Bank.* Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

*Official Statements.* Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

*Bond Counsel.* From time to time, Glankler Brown, PLLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

*Other.* Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the County’s Dissemination Agent. If the County chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

## **ADDITIONAL DEBT**

The County has not authorized any additional debt at this time.

## **DEBT LIMITATIONS**

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. However, the total bond indebtedness of the County solely for the purposes authorized by the Industrial Park Act (Sections 13-16-201 through 13-16-207, inclusive, of the Tennessee Code Annotated, as amended) and the Industrial Building Bond Act of 1955 (Sections 7-55-101 through 7-55-116, inclusive, of the Tennessee Annotated, as amended) may not exceed ten percent (10%) of the total assessed valuation of the property of the County as ascertained in the last completed assessment.

## **DEBT RECORD**

There is no record of a default on principal and interest payments by the County from information available. Additionally, no agreements or legal proceedings of the County relating to securities have been declared invalid or unenforceable.

## **CONTINUING DISCLOSURE**

The County will at the time the Bonds are delivered execute a continuing disclosure certificate (the "Disclosure Certificate") under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. . These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12, as it may be amended from time to time (the "Rule 15c2-12"). The County is in compliance with the undertakings required under the Rule.

*Five-Year History of Filing.* While it is believed that all appropriate filings were made with respect to the ratings of the County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

*Content of Annual Report.* The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the County's

audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;
3. Information about the Bonded Debt Service Requirements – General Obligation as of the end of such fiscal year as shown on page B-9;
4. The fund balances and retained earnings for the fiscal year as shown on page B-10;
5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-11;
6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-17;
8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-17; and
9. The ten largest taxpayers as shown on page B-18.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the County or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The County will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall

determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - g. Modifications to rights of Bondholders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances; Release, substitution, or sale of property securing repayment of the securities, if material;
  - j. Rating changes;
  - k. Bankruptcy, insolvency, receivership or similar event of the obligated person;
  - l. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
  - m. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

*Termination of Reporting Obligation.* The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondholder, or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no



representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The County has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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## **CERTIFICATION OF ISSUER**

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/  
County Mayor

ATTEST:

/s/  
County Clerk



## **APPENDIX A**

### **PROPOSED FORM OF LEGAL OPINION**



[LETTERHEAD OF GLANKLER BROWN, PLLC]

(Date of Closing)

Board of County Commissioners  
of Lake County, Tennessee  
116 South Court Street  
Tiptonville, Tennessee 38079

**Re: \$2,600,000 General Obligation Refunding Bonds, Series 2016  
(Federally Taxable) of Lake County, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Lake County, Tennessee (the "County"), of \$2,600,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2016 (Federally Taxable) dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material published and distributed in connection with the sale of the Bonds or any other information concerning the financial condition of the County which may have been provided to the purchasers of the Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law, as of the date hereof, as follows:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the County for the payment of which the County has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the County without limitation as to rate or amount.

Board of County Commissioners  
of Lake County, Tennessee  
(Date of Closing)

2. INTEREST ON THE BONDS IS INCLUDED IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Except as set forth in this Paragraph 2, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

To the extent constitutionally applicable, the rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,



## **APPENDIX B**

### **SUPPLEMENTAL INFORMATION STATEMENT**



## **GENERAL INFORMATION**

### **LOCATION**

Lake County (the “County”) is located in the northwestern part of the state of Tennessee, adjoining the Tennessee-Kentucky line. The County is bordered by the Mississippi River to the West, the Kentucky border to the north, Obion County to the east and Dyer County to the south. Tiptonville, the County seat, is approximately 103 miles north of Memphis and 32 miles from Union City. Population in the County according to the 2010 U.S. Census of population is 7,832.

### **GENERAL**

The County is situated in the fertile Mississippi Valley and is one of the richest agricultural counties in Tennessee. Approximate land area is 104,960 acres of which 63.4% is dedicated to farming. Principal crop is cotton. Other crops include soybeans, corn, hay, garden vegetables, etc.

A county mayor/commissioner form of government governs Lake County. The Lake County Board is composed of 13 commissioners elected for four-year terms. The county mayor is elected for four-year terms.

### **TRANSPORTATION**

Lake County is served by TennKen Railroad, which operates from Dyersburg, Tennessee to Hickman Kentucky. Ridgely and Tiptonville are located on State Highway 78, which runs to Dyersburg connecting with U.S. Highway 51. The proposed Interstate 69 from Canada to Mexico has been approved in Congress and will go past Dyersburg and Memphis.

Reelfoot Airpark, state operated, is located on State Highway 78, adjacent to Reelfoot Lake. The concrete 3,500 foot airstrip is all-weather and lighted. Dyersburg Airport, 25 miles from the area, has two lighted 4,200 foot concrete runways, with repair service, hangars and a FAA station. Memphis International Airport is 110 miles from the Reelfoot Lake area. Memphis offers eight major airlines, six commuter airlines, and 42 airfreight companies. Federal Express is based in Memphis.

The Mississippi River is located 13 miles west of Dyersburg via State Route 20 and I-155; easily accessible to Mississippi River ports at Caruthersville, Missouri, Hickman, Kentucky, and Memphis, Tennessee with barge loading and unloading locally. The Port of Cates Landing on the Mississippi is a natural slackwater port 29 miles northwest of the County in Lake County that has recently been approved by the U.S. Corps of Engineers. It is a joint project between Lake, Obion and Dyer Counties. It is the only port that is not protected by a levee between Memphis and Illinois since it is above a 100-year-flood plain of the Mississippi. The port became operational in 2013. The Port of Cate Landing has been designated a foreign trade zone.

The 2,320-mile-long Mississippi River is part of the Missouri-Mississippi river system, which is the largest river system in North America. The River borders Lake, Obion, Dyer, Lauderdale, Tipton and Shelby Counties in the state. Channelization of the Mississippi River to a 9-

foot minimum navigable depth from its junction in Minnesota to the Gulf of Mexico gives the County the benefits of year round, low cost water transportation. The Lower Mississippi, below St. Louis, is only constrained by levees and directed by numerous wing dams which make it relatively free-flowing compared to the Upper Mississippi which has a series 29 locks and dams.

## **EDUCATION**

The *Lake County School System* is comprised of three schools: one high school and two elementary schools. The fall 2014 enrollment was 901 students with 73 teachers.

*Source:* Tennessee Department of Education.

*Dyersburg State Community College* is an accredited public comprehensive community college that operates within the governance of the Tennessee Board of Regents. Founded in 1967, Dyersburg State is located on a 100-acre campus in Dyer County, Tennessee and serves the educational needs of a seven-county area of Northwest Tennessee: Lake, Obion, Dyer, Gibson, Lauderdale, Crockett and Tipton Counties. The fall of 2014 semester had an enrollment of 2,863 students. Dyersburg State also offers increased access to education via technology-assisted instruction, distance learning and course offerings at convenient locations in three other campuses in Obion, Gibson and Tipton Counties.

*Source:* Dyersburg State Community College and Tennessee Higher Education Commission.

*The Tennessee Technology Center at Newbern.* The Tennessee Technology Center at Newbern is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Newbern serves the northwest region of the state including Dyer, Lake and Obion Counties. The Technology Center at Newbern began operations in 1965, and the main campus is located in Dyer County. Fall 2013 enrollment was 567 students.

*Source:* Tennessee Technology Center at Newbern and Tennessee Higher Education Commission.

## **MEDICAL**

The nearest hospital is the *Dyersburg Regional Medical Center* (the "DRMC"). It is a 225 bed, acute care hospital located in Dyersburg. The medical center serves the citizens of Dyer, Lake, and Lauderdale Counties, comprising a population of about 75,000 people. DRMC is affiliated with Community Health Systems (the "CHS") which is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease more than 110 hospitals in 28 states, with an aggregate of more than 17,000 licensed beds. There are eleven CHS hospitals in Tennessee.

*Source:* Community Health Systems.

## **MANUFACTURING AND COMMERCE**

The Lake County Industrial Site, which is located near the Port of Cates Landing, was certified in 2013 as a Select Tennessee Certified Sites. This recognizes select industrial parks, sites and other areas as having met international standards by leading site-selection firms.

### Major Employers located in Lake County, Tennessee

<u>Company</u>	<u>Product</u>	<u>Employees</u>
State of Tennessee	Prison	600
Lake County Government	Government	200
Lake County School System*	Education	79
Georgia Gulf Corp	PVC Pellets	71
Town of Tiptonville	Government	31
Reelfoot Products	Trimming of Rubber Mirror Gaskets	27
Town of Ridgely	Government	22
R&K Metals	Steel	20

\*Employment only includes Teachers and Administrators.

Source: The West Tennessee Industrial Association and the Department of Economic & Community Development - 2015.

### EMPLOYMENT INFORMATION

Unemployment in the County as of November 2015 stood at 8.6%, representing 1,860 persons employed out of a labor force of 2,040. The chart below depicts unemployment trends in the County:

<b>Unemployment</b>					
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u><b>2010</b></u>	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>
National	9.6%	8.9%	8.1%	7.4%	6.2%
Tennessee	9.7%	9.2%	8.0%	8.2%	6.7%
<b>Lake County</b>	<b>10.7%</b>	<b>11.7%</b>	<b>10.2%</b>	<b>10.4%</b>	<b>9.2%</b>
Index vs. National	111	131	126	141	148
Index vs. State	110	127	128	127	137

Source: Tennessee Department of Labor and Workforce Development.

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## ECONOMIC DATA

Lake County income can be characterized as begin generated from four sources: retail trade and services, industry, agriculture and tourism. Tourism, centering on Reelfoot Lake, is an important income producer. The parks, motels, restaurants, swimming, boat docks, etc., attract an estimated several million in tourist expenditures and supported an annual payroll of over a million annually.

### Per Capita Personal Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
National	\$40,277	\$42,453	\$44,266	\$44,438	\$46,049
Tennessee	\$35,601	\$37,323	\$39,137	\$39,312	\$40,457
<b>Lake County</b>	<b>\$19,844</b>	<b>\$22,195</b>	<b>\$22,736</b>	<b>\$24,800</b>	<b>\$23,582</b>
Index vs. National	49	52	51	56	51
Index vs. State	56	59	58	63	58

Source: Bureau of Economic Analysis.

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Lake County</u>
Median Value Owner Occupied Housing	\$175,700	\$139,900	\$73,700
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	71.5%
% Persons with Income Below Poverty Level	14.80%	18.30%	41.9%
Median Household Income	\$53,482	\$44,621	\$29,214

Source: U.S. Census Bureau State & County QuickFacts - 2014.

## RECREATION

*Reelfoot Lake State Park.* Reelfoot Lake State Park is located in 22 miles north of Dyersburg in Lake and Obion Counties. It contains about 25,000 acres, 15,000 of which are water. The area is said to be the greatest hunting and fishing preserve in the nation. Park naturalists conduct daily American bald eagles tours in the winter when the birds make their seasonal homes there. The park also harbors almost every other kind of shore and wading bird. At least a thousand pairs of birds, including anhingas, cormorants, great blue herons, and common egrets nested in the crowns of cypress trees, some more than 100 feet tall. The park has a museum, an auditorium, a conference center, a visitor center and a motel. Reelfoot Lake offers a large variety of motels, inns and restaurants. The park also features campgrounds, swimming pools, fishing, boating and picnic areas.

Historians record that Reelfoot Lake was created by a series of severe earthquakes during the bitter cold winter of 1811-12. Landslides swept down the bluffs, large areas of land were uplifted and still larger areas sank. As the land subsided the water poured over in one of the large sunken areas and filled the basin. The large pool gradually grew placid and Reelfoot Lake was born. Practically every variety of fish known from Yellowstone to Pennsylvania was swept into the basin. Cypress trees and willow flourished, and one of the world's greatest natural fish hatcheries resulted.

*Source:* Tennessee State Parks.

## RECENT DEVELOPMENTS

*Interstate 69 Project.* The proposed north-south highway corridor between Canada and Mexico will go past Dyersburg and Memphis. There are already service-related businesses expressing interest in coming to Dyersburg once the interstate is completed. It is estimated that 63 percent of the truck traffic between Canada and Mexico will go through West Tennessee on I-69. Completion of the corridor in Tennessee could cost in excess of \$800 million. The economic potential of this interstate's location in West Tennessee is very promising. One study has shown I-69 would produce about \$1.57 for every dollar invested.

*Port of Cates Landing.* The Port of Cates Landing is a natural slackwater port four miles northeast of Tiptonville in Lake County (and 29 miles north of Dyersburg) that is a joint project of Lake, Obion and Dyer Counties and the U.S. Corps of Engineers. It is the only port that is not protected by a levee between Memphis and Illinois since it is above a 100 year flood plain of the Mississippi. There is room for an industrial park at the site, and the port is expected to bring 1,700 jobs to the region and retain 2,293 related jobs.

Construction of the 420 acre site began in 2011, and the \$35 million port became operational in 2013. In late 2010 a federal grant of \$13 million was awarded to the port to complete construction and infrastructure. In addition to the construction at the river an upgrade of the local roads and rail lines was also completed. In summer of 2011 Choctaw Transportation, a locally operated business, won the \$9.6 million bid for the construction of the open cell dock construction at the port. Construction was completed in 2012. It is the most expensive and critical piece to the larger project of building the Port.

The Northwest Tennessee Port is an intermodal freight transfer facility and potential industrial park complex designed to exploit the unique geography and existing river, rail and highway transportation assets already in place. The River Port is comprised of a river terminal and includes a cross-dock, and trans-load facility that is designed to handle, Barge to Rail, Barge to Truck and Truck to Rail. The site of a proposed Industrial Park is comprised of the adjacent 350 acres of flat lands north of the City of Tiptonville. The optimum use envisioned for the Park is one which would exploit the River, and the proximity to I-55, I-24 as well as the planned I-69 corridor, and the main line Canadian National Railway. Being centrally located in Mid-America makes this location even more obvious as a venue for the project. The benefit of the Port to the City of Dyersburg lies in the fact that all southern highway access to the Port and all Railroad access to the Port runs through the City of Dyersburg. The City anticipates a significant economic boost resulting from the commencement of the Port operations.

*Source:* The State Gazette.

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**LAKE COUNTY, TENNESSEE**  
SUMMARY OF BONDED INDEBTEDNESS

<b>AMOUNT ISSUED</b>	<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>(1) As of June 30, 2015 OUTSTANDING</b>
\$ 2,750,000	General Obligation Bonds, Series 2007 (Taxable)	June 2036	Fixed	\$ 2,490,000
230,000	Capital Outlay Note, Series 2011 (Highway)	Aug 2016	Fixed	95,000
1,165,000	General Obligation Bonds, Series 2012	June 2030	Fixed	1,115,000
<u>7,630,000</u>	General Obligation Refunding Bonds, Series 2012B	June 2037	Fixed	<u>7,045,000</u>
\$ 11,775,000	<b>TOTAL BONDED DEBT</b>			\$ 10,745,000
\$ 2,600,000	General Obligation Refunding Bonds, Series 2016			
(2,430,000)	(Federally Taxable)	June 2036	Fixed	\$ 2,600,000
	Less: Refunded or Prepaid Bonds			<u>(2,430,000)</u>
\$ 11,945,000	<b>NET TOTAL DEBT</b>			\$ 10,915,000

**NOTES:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

# LAKE COUNTY, TENNESSEE

## Indebtedness and Debt Ratios

### INTRODUCTION

The information set forth in the following is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS, attached herein and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this Preliminary Official Statement.

	For Fiscal Year Ended June 30					After Issuance
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
INDEBTEDNESS						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$10,313,398	\$ 11,878,589	\$ 11,531,000	\$ 11,151,000	\$ 10,745,000	\$ 10,915,000
Port Authority Obligation	1,100,000	-	-	-	-	-
TOTAL TAX SUPPORTED	\$11,413,398	\$11,878,589	\$11,531,000	\$11,151,000	\$10,745,000	\$10,915,000
TOTAL DEBT	\$11,413,398	\$11,878,589	\$11,531,000	\$11,151,000	\$10,745,000	\$10,915,000
Less: Debt Service Funds	(1,565,953)	(1,232,265)	(1,334,058)	(1,084,840)	(898,188)	(898,188)
NET DIRECT DEBT	\$9,847,445	\$10,646,324	\$10,196,942	\$10,066,160	\$9,846,812	\$10,016,812

<b>PROPERTY TAX BASE</b>						
Estimated Actual Value	\$ 270,590,936	\$ 271,946,011	\$ 275,024,602	\$ 276,555,354	\$ 305,113,551	\$ 305,113,551
Appraised Value	270,590,936	271,946,011	275,024,602	276,555,354	305,113,551	305,113,551
Assessed Value	78,312,104	78,519,590	79,514,718	79,982,317	88,178,817	88,178,817

<b>DEBT RATIOS</b>	<b>For Fiscal Year Ended June 30</b>					<b>After Issuance</b>
	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
TOTAL DEBT to Estimated Actual Value	4.22%	4.37%	4.19%	4.03%	3.52%	3.58%
TOTAL DEBT to Appraised Value	4.22%	4.37%	4.19%	4.03%	3.52%	3.58%
TOTAL DEBT to Assessed Value	14.57%	15.13%	14.50%	13.94%	12.19%	12.38%
NET DIRECT DEBT to Estimated Actual Value	3.64%	3.91%	3.71%	3.64%	3.23%	3.28%
NET DIRECT DEBT to Appraised Value	3.64%	3.91%	3.71%	3.64%	3.23%	3.28%
NET DIRECT DEBT to Assessed Value	12.57%	13.56%	12.82%	12.59%	11.17%	11.36%
<b><u>PER CAPITA RATIOS</u></b>						
POPULATION (1)	7,771	7,729	7,706	7,631	7,631	7,631
PER CAPITA PERSONAL INCOME (2)	\$22,195	\$22,736	\$24,800	\$23,582	\$23,582	\$23,582
Estimated Actual Value to POPULATION	\$34,821	\$35,185	\$35,690	\$36,241	\$39,983	\$39,983
Assessed Value to POPULATION	\$10,077	\$10,159	\$10,319	\$10,481	\$11,555	\$11,555
Total Debt to POPULATION	\$1,469	\$1,537	\$1,496	\$1,461	\$1,408	\$1,430
Net Direct Debt to POPULATION	\$1,267	\$1,377	\$1,323	\$1,319	\$1,290	\$1,313
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	6.62%	6.76%	6.03%	6.20%	5.97%	6.07%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.71%	6.06%	5.34%	5.59%	5.47%	5.57%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

**LAKE COUNTY, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS - General Obligation**

F. Y. Ended	As of June 30, 2015 Existing Debt			General Obligation Refunding Bonds, Series 2016 (Federally Taxable)			Less: Refunded or Prepaid Bonds			Total Bonded Debt Service Requirements (1)			% Principal Repaid All Debt
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	
6/30													
2016	\$ 417,000	\$ 389,777	\$ 806,777	\$ 25,000	\$ 18,607	\$ 43,607	\$ -	\$ (134,865)	\$ (134,865)	\$ 442,000	\$ 273,520	\$ 715,520	4.05%
2017	443,000	379,316	822,316	100,000	99,668	199,668	(65,000)	(134,865)	(199,865)	478,000	344,119	822,119	
2018	410,000	368,639	778,639	100,000	98,168	198,168	(70,000)	(131,258)	(201,258)	440,000	335,549	775,549	
2019	420,000	357,954	777,954	100,000	96,418	196,418	(75,000)	(127,373)	(202,373)	445,000	326,999	771,999	
2020	435,000	346,891	781,891	100,000	93,918	193,918	(80,000)	(123,210)	(203,210)	455,000	317,599	772,599	20.71%
2021	445,000	332,451	777,451	105,000	91,168	196,168	(85,000)	(118,770)	(203,770)	465,000	304,849	769,849	
2022	460,000	317,459	777,459	105,000	88,018	193,018	(90,000)	(114,053)	(204,053)	475,000	291,424	766,424	
2023	480,000	301,889	781,889	110,000	84,605	194,605	(95,000)	(109,058)	(204,058)	495,000	277,436	772,436	
2024	490,000	285,441	775,441	115,000	80,755	195,755	(100,000)	(103,785)	(203,785)	505,000	262,411	767,411	
2025	505,000	268,566	773,566	115,000	76,558	191,558	(105,000)	(98,235)	(203,235)	515,000	246,889	761,889	43.20%
2026	520,000	250,739	770,739	120,000	72,245	192,245	(110,000)	(92,408)	(202,408)	530,000	230,576	760,576	
2027	545,000	232,334	777,334	125,000	67,565	192,565	(120,000)	(86,303)	(206,303)	550,000	213,596	763,596	
2028	565,000	212,499	777,499	130,000	62,565	192,565	(125,000)	(79,643)	(204,643)	570,000	195,421	765,421	
2029	590,000	191,924	781,924	135,000	57,235	192,235	(130,000)	(72,705)	(202,705)	595,000	176,454	771,454	
2030	615,000	169,884	784,884	140,000	51,633	191,633	(140,000)	(65,490)	(205,490)	615,000	156,026	771,026	69.40%
2031	535,000	146,333	681,333	145,000	45,683	190,683	(150,000)	(57,720)	(207,720)	530,000	134,295	664,295	
2032	555,000	124,533	679,533	155,000	39,303	194,303	(160,000)	(49,395)	(209,395)	550,000	114,440	664,440	
2033	575,000	101,827	676,827	160,000	32,173	192,173	(165,000)	(40,515)	(205,515)	570,000	93,485	663,485	
2034	600,000	77,295	677,295	165,000	24,733	189,733	(175,000)	(31,358)	(206,358)	590,000	70,670	660,670	
2035	635,000	51,645	686,645	170,000	16,895	186,895	(190,000)	(21,645)	(211,645)	615,000	46,895	661,895	95.56%
2036	350,000	23,300	373,300	180,000	8,820	188,820	(200,000)	(11,100)	(211,100)	330,000	21,020	351,020	100.00%
2037	155,000	6,200	161,200	-	-	-	-	-	-	155,000	6,200	161,200	
	<u>\$ 10,745,000</u>	<u>\$ 4,936,895</u>	<u>\$ 15,681,895</u>	<u>\$ 2,600,000</u>	<u>\$ 1,306,727</u>	<u>\$ 3,906,727</u>	<u>\$ (2,430,000)</u>	<u>\$ (1,803,750)</u>	<u>\$ (4,233,750)</u>	<u>\$ 10,915,000</u>	<u>\$ 4,439,872</u>	<u>\$ 15,354,872</u>	

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Estimated Interest Rates. Estimated Average Coupon 4.30%.

## FINANCIAL OPERATIONS

### BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the County. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

### FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts audited fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

	<b><u>For the Fiscal Year Ended June 30</u></b>				
<b><u>Fund Type</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
<i>Governmental Funds:</i>					
General	\$1,199,022	\$1,039,266	\$ 954,566	\$ 919,778	\$ 752,356
Highway/Public Works	781,552	1,049,276	826,385	866,650	898,564
General Debt Service	1,565,953	1,373,469	1,232,265	1,084,840	898,188
Other Governmental	<u>39,424</u>	<u>27,548</u>	<u>26,407</u>	<u>35,831</u>	<u>19,701</u>
<b>Total</b>	<b><u>\$3,585,951</u></b>	<b><u>\$3,489,559</u></b>	<b><u>\$3,039,623</u></b>	<b><u>\$2,907,099</u></b>	<b><u>\$2,568,809</u></b>

*Source:* Comprehensive Annual Financial Report, Lake County, Tennessee.

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**LAKE COUNTY, TENNESSEE**  
Five Year Summary of Revenues, Expenditures and  
Changes In Fund Balances - General Fund  
For the Fiscal Year Ended June 30

	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>
<b>Revenues:</b>					
Local Taxes	\$ 1,024,870	\$ 1,000,456	\$ 1,135,802	\$ 1,137,715	\$ 1,318,576
Licenses and Permits	9,489	12,904	9,868	9,525	4,642
Fines, forfeitures and penalties	47,583	38,203	47,371	45,491	58,680
Charges for current services	715,040	790,275	701,015	854,580	718,661
Other local revenue	91,474	132,151	97,488	111,755	136,956
Fees received from County Officials	238,763	247,071	236,571	238,943	244,524
State of Tennessee	529,704	561,802	617,207	614,531	557,933
Federal Government	66,682	357,511	274,731	33,306	214,446
Other Governments & Citizens Groups	63,197	83,375	116,097	131,073	84,693
<b>Total Revenues</b>	<u>\$ 2,786,802</u>	<u>\$ 3,223,748</u>	<u>\$ 3,236,150</u>	<u>\$ 3,176,919</u>	<u>\$ 3,339,111</u>
<b>Expenditures:</b>					
General Government	\$ 445,235	\$ 383,851	\$ 374,330	\$ 393,112	\$ 425,615
Finance	304,187	301,131	304,222	325,041	338,535
Administration of Justice	395,010	397,583	409,209	410,820	491,757
Public Safety	1,087,445	1,120,373	1,170,618	1,209,408	1,189,146
Public Health and Welfare	620,535	673,973	604,099	619,858	839,170
Social Cultural & Recreational	131,673	119,975	120,859	129,104	116,622
Agricultural & Natural Resources	24,801	24,080	18,899	31,167	9,293
Other Operations	92,978	342,769	298,614	99,280	96,395
Highways	-	-	-	-	-
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 3,101,864</u>	<u>\$ 3,363,735</u>	<u>\$ 3,300,850</u>	<u>\$ 3,217,790</u>	<u>\$ 3,506,533</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (315,062)	\$ (139,987)	\$ (64,700)	\$ (40,871)	\$ (167,422)
<b>Other Sources:</b>					
Note Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance Recovery	14,964	231	-	8,083	-
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	(21,500)	(20,000)	(20,000)	(2,000)	-
<b>Total Revenues &amp; Other Sources</b>	<u>\$ (6,536)</u>	<u>\$ (19,769)</u>	<u>\$ (20,000)</u>	<u>\$ 6,083</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (321,598)	\$ (159,756)	\$ (84,700)	\$ (34,788)	\$ (167,422)
<b>Fund Balance July 1</b>	1,520,620	1,199,022	1,039,266	954,566	919,778
Prior Period Adjustments	-	-	-	-	-
<b>Fund Balance June 30</b>	<u><b>\$ 1,199,022</b></u>	<u><b>\$ 1,039,266</b></u>	<u><b>\$ 954,566</b></u>	<u><b>\$ 919,778</b></u>	<u><b>\$ 752,356</b></u>

Source: Comprehensive Annual Financial Report for Lake County, Tennessee.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

Investment of idle County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for all County investments.

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

### ***State Taxation of Property; Classifications of Taxable Property; Assessment Rates***

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

### ***County Taxation of Property***

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its values upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.



## *Assessment of Property*

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

*State Assessments of Public Utility Property; State Board of Equalization.* The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

### ***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

### ***Valuation for Property Tax Purposes***

*County Valuation of Property.* The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State board of equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

*State Valuation of Public Utility Property.* The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

### ***Certified Tax Rate***

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate

(herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

### ***Tax Freeze for the Elderly Homeowners***

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

### ***Tax Collection and Tax Lien***

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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*Assessed Valuations.* According to the Tax Aggregate Report for Tennessee, property reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2014<sup>1</sup>.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utilities	\$13,890,059	55%	\$ 31,821,441
Commercial and Industrial	14,802,120	40%	37,005,300
Personal Tangible Property	2,489,613	30%	8,298,710
Residential and Farm	<u>56,997,025</u>	25%	<u>227,988,100</u>
	<b><u>\$88,178,817</u></b>		<b><u>\$305,113,551</u></b>

<sup>1</sup> The tax year coincides with the calendar year; therefore tax year 2014 is actually fiscal year 2014-15.  
*Source:* 2014 Tax Aggregate Report for Tennessee.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is \$88,178,817 compared to \$79,982,317 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is \$305,113,551 compared to \$276,555,354 for tax year 2013.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the County for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2015.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year<sup>2</sup></b>	<b>Assessed Valuation</b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>As of June 30, 2015 Amount</b>	<b>Pct</b>
2011	\$78,519,590	\$2.2165	\$1,667,249	\$1,574,026	94.4%	N/A	
2012	79,514,718	2.2165	1,759,180	1,688,813	96.0%	N/A	
2013	79,982,317	2.2165	1,772,808	1,666,440	94.0%	N/A	
2014	88,178,817	2.2165	1,954,483	1,837,214	94.0%	\$117,269	6.0%
2015	88,223,732	2.3165	2,043,702	<b>IN PROGRESS</b>			

<sup>2</sup> The tax year coincides with the calendar year; therefore tax year 2015 is actually fiscal year 2015-16.

*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the County are as follows:

<u><b>Taxpayer</b></u>	<u><b>Business Type</b></u>	<u><b>Taxes Levied</b></u>
1. Gibson Electric	Utility	\$ 81,389
2. Ingram Barge Co.	Marine	40,062
3. HCRI TN Properties	Real Estate	26,678
4. Kirby Inland Marine, LP	Marine	23,824
5. Lake Ridge Apartments LP	Real Estate	18,773
6. American River Transportation	Marine	18,045
7. Tiptonville Elderly	Healthcare	16,671
8. Marquette Transportation	Marine	16,406
9. West Reel LLC	Marine	16,227
10. Florida Marine Transporter	Marine	<u>15,659</u>
<b>TOTAL</b>		<u><b>\$273,734</b></u>

*Source:* The County.

## **PENSION PLAN**

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

For additional information on the funding status, trend information and actuarial status of the County's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the County attached herein.



**GENERAL PURPOSE FINANCIAL STATEMENTS**

LAKE COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Lake County for the fiscal year ended June 30, 2015 which is available upon request from the County.







# **ANNUAL FINANCIAL REPORT**

## **LAKE COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2015**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**DIVISION OF LOCAL GOVERNMENT AUDIT**  
**JAMES R. ARNETTE**  
*Director*

**JAN PAGE, CPA, CFE**  
*Audit Manager*

**B. KEITH RICE, CGFM**  
*Auditor 4*

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

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

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## LAKE COUNTY, TENNESSEE

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

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

### ***Scope***

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

### ***Results***

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

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

### ***Findings***

The following are summaries of the audit findings:

#### **OFFICE OF COUNTY MAYOR**

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

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

- ◆ The School Department had deficiencies in budget operations.

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

- ◆ Duties were not segregated adequately.

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## INTRODUCTORY SECTION

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**Lake County Officials**  
**June 30, 2015**

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**Officials**

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

**Board of County Commissioners**

Denny Johnson, County Mayor, Chairman  
Wayne Hatley  
Nicky Hayes, Jr.  
Steve Jones  
Joyce McCoy

Terry Pierce  
Danny Tippit II  
Timothy Windsor  
Brent Work  
Jimmy Yates

**Highway Commission**

Joe Williams, Chairman  
Clifford Berry, Sr.  
Johnny Dean

Doug Gant  
Jimmy Leake  
Ronald Snyder, Sr.

**Board of Education**

Warren Douglas, Chairman  
Kristie Avery  
Deborah Cox  
Melanie Greene  
Carolyn Hayes

Andria Holder  
Tony Hutcheson  
Michael Parker  
Vivian Windsor

**Audit Committee**

Fred Wortman, Chairman  
Mack Forrester  
Albert Markham





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## FINANCIAL SECTION

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Change in Accounting Principle***

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

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plan on pages 71-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

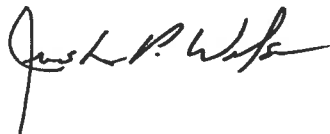
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), and miscellaneous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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015, on our consideration of Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 13, 2015

JPW/sb

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## **BASIC FINANCIAL STATEMENTS**

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## Exhibit A

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

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

(Continued)

Exhibit A

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

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

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



Exhibit B

Lake County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2015

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

(Continued)

Exhibit B

Lake County, Tennessee  
Statement of Activities (Cont.)

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

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

**Lake County, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental	Funds	

**ASSETS**

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

**LIABILITIES**

Accounts Payable	\$	250	\$	3,663	\$	0	\$	0	\$	3,913
Accrued Payroll		11,500		1,882		0		929		14,311
Payroll Deductions Payable		20,266		0		0		186		20,452
Due to Other Funds		845		0		0		12,839		13,684
Due to State of Tennessee		67		2		0		154		223
<b>Total Liabilities</b>	<b>\$</b>	<b>32,928</b>	<b>\$</b>	<b>5,547</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>14,108</b>	<b>\$</b>	<b>52,583</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Current Property Taxes	\$	930,009	\$	23,929	\$	71,955	\$	23,929	\$	1,049,822
Deferred Delinquent Property Taxes		22,883		693		2,012		693		26,281
Other Deferred/Unavailable Revenue		375,773		118,177		30,000		0		523,950
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>1,328,665</b>	<b>\$</b>	<b>142,799</b>	<b>\$</b>	<b>103,967</b>	<b>\$</b>	<b>24,622</b>	<b>\$</b>	<b>1,600,053</b>

(Continued)

Exhibit C-1

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

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

FUND BALANCES

Restricted:

Restricted for Administration of Justice  
Restricted for Public Safety  
Restricted for Highways/Public Works  
Restricted for Debt Service

Committed:

Committed for Debt Service  
Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

Lake County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,568,809
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,364,669	
Add: infrastructure net of accumulated depreciation		1,271,174	
Add: buildings and improvements net of accumulated depreciation		2,755,469	
Add: other capital assets net of accumulated depreciation		<u>920,740</u>	7,312,052
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(95,000)	
Less: capital lease payable		(75,421)	
Less: bonds payable		(10,650,000)	
Less: accrued interest on note, capital lease, and bonds		(33,484)	
Less: other deferred revenue - premium on debt		(45,097)	
Less: compensated absences payable		(197,275)	
Add: deferred amount on refunding		<u>197,640</u>	(10,898,637)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	107,580	
Less: deferred inflows of resources related to pensions		<u>(478,830)</u>	(371,250)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			164,455
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>550,231</u>
Net position of governmental activities (Exhibit A)		\$	<u>(674,340)</u>

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

Exhibit C-3

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

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

(Continued)

Exhibit C-3

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

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

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3) \$ (338,290)

- (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	\$ 577,875	
Less: current-year depreciation expense	(454,554)	123,321

- (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 550,231	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(601,664)	(51,433)

- (3) The issuance of long-term debt (e.g., notes, capital leases, bonds) provides financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of those differences in the treatment of long-term debt and related items:

Less: capital lease proceeds	\$ (78,265)	
Add: principal payment on note	46,000	
Add: principal payment on capital lease	2,844	
Add: principal payments on bonds	360,000	
Less: change in deferred amount on refunding debt	(15,680)	
Add: change in premium on debt issuance	2,136	317,035

- (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in compensated absences payable	\$ (105)	
Change in accrued interest payable	811	
Change in deferred outflows related to pensions	107,580	
Change in deferred inflows related to pensions	(478,830)	
Change in net pension asset	537,324	166,780

Change in net position of governmental activities (Exhibit B) \$ 217,413

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



## Exhibit C-5

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

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

(Continued)

Exhibit C-5

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

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

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

Exhibit C-6

**Lake County, Tennessee**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Actual and Budget**  
**Highway/Public Works Fund**  
**For the Year Ended June 30, 2015**

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

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

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

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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, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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



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

**Administrative Office:**

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

**B. Government-wide and Fund Financial Statements**

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

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

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

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Lake County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Lake County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Lake County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable



(reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Lake County reports the following major governmental funds:

**General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Highway/Public Works Fund** – This special revenue fund accounts for transactions of the county's Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Lake County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lake County, assets held in custody for two joint ventures, and assets held in custody for a watershed district. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Lake County School Department reports the following major governmental fund:

**General Purpose School Fund** – This fund is the primary operating fund of the School Department. It is used to account for general operations of the School Department.

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

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

**Private Purpose Trust Fund** – The Private Purpose Trust Fund is used to account for endowments received by the School Department. Income generated from the corpus of the endowments is used to provide annual scholarships to one or more Lake County students selected by the Board of Education.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Lake County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Lake County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are

reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to one percent of total taxes levied.

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

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

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

## **3. Capital Assets**

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

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



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

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

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

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

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

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

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental

funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**5. Compensated Absences**

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

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

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

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

**6. Long-term Obligations**

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

discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **7. Net Position and Fund Balance**

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

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

As of June 30, 2015, Lake County had \$5,636,000 in outstanding debt for capital purposes for the discretely presented Lake County School Department. This debt is a liability of Lake County, but the capital assets acquired are reported in the financial statements of the School

Department. Therefore, Lake County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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



to specific purposes within the General and General Purpose School funds.

8. **Restatement**

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

E. **Pension Plans**

**Primary Government**

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

**Discretely Presented Lake County School Department**

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

II. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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



### **Primary Government**

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

### **Discretely Presented Lake County School Department**

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

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

### **Primary Government**

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

### **Discretely Presented Lake County School Department**

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

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

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

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

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

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

**B. Fund Deficit**

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

**C. Cash Shortage – Prior Years**

The audit of Lake County for the 2009-10 year reported irregularities in the Lake County Mayor's Office. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The bookkeeper pled guilty and was ordered to pay \$53,344.63 in restitution. The county's insurance company paid the county \$149,000, Regions Bank paid the county \$17,500 to settle a civil lawsuit, and the bookkeeper has paid \$12,135 restitution leaving an outstanding balance of \$23,709.63 due the county at June 30, 2015. As of the date of this report, an additional \$1,065 has been paid by the defendant subsequent to June 30.

**D. Expenditures Exceeded Appropriations**

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

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

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

##### **Deposits**

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

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

##### **Investments**

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

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

**B. Capital Assets**

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

**Primary Government – Governmental Activities:**

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

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



**Governmental Activities:**

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

Total Depreciation Expense - Governmental Activities	<u>\$ 454,554</u>
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**Discretely Presented Lake County School Department -****Governmental Activities:**

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

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

**Governmental Activities:**

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

**C. Interfund Receivables, Payables, and Transfers**

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

**Due to/from Other Funds:**

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

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

**Discretely Presented Lake County School Department**

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

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**D. Capital Leases**

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

The asset acquired through the capital lease is as follows:

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

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

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

**E. Long-term Obligations**

**Primary Government**

**General Obligation Bonds and Note**

Lake County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and the capital outlay note outstanding were issued for original terms of up to 29 years for bonds and five years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2015, will be retired from the Highway/Public Works and General Debt Service funds.

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

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

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 370,000	\$ 388,376	\$ 758,376
2017	395,000	378,846	773,846
2018	410,000	368,639	778,639
2019	420,000	357,954	777,954
2020	435,000	346,891	781,891
2021-2025	2,380,000	1,505,806	3,885,806
2026-2030	2,835,000	1,057,379	3,892,379
2031-2035	2,900,000	501,633	3,401,633
2036-2037	505,000	29,500	534,500
Total	\$ 10,650,000	\$ 4,935,024	\$ 15,585,024



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

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

#### Changes in Long-term Obligations

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

##### Governmental Activities:

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

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

**Analysis of Noncurrent Liabilities Presented on Exhibit A:**

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

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds.

**Discretely Presented Lake County School Department**

**Changes in Long-term Obligations**

Long-term obligations activity for the discretely presented Lake County School Department for the year ended June 30, 2015, was as follows:

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

**Analysis of Noncurrent Liabilities Presented on Exhibit A:**

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

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lake County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$9,866 and \$14,282, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

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

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

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

**Discretely Presented Lake County School Department**

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

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

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

**B. Accounting Changes**

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

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

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

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

**C. Contingent Liabilities**

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

As described in Note V.E., below, Lake County is a participant with Obion and Dyer counties in a joint venture known as the Northwest Tennessee Regional Port Authority. The port authority borrowed \$410,000 in April 2007. The county commissions of the participating counties have approved making



payments on the debt issuance (Lake County - 50 percent, Dyer County - 25 percent, and Obion County - 25 percent) until such time as the port authority has revenue to make payments.

**D. Change in Administration**

On August 31, 2014, Macie Roberson left the Office of County Mayor and was succeeded by Denny Johnson.

**E. Joint Ventures**

Lake County is a participant with Obion and Dyer counties in a multi-county entity known as the Northwest Tennessee Regional Port Authority. This entity was created to operate and maintain a port to be located in Lake County on the Mississippi River. A board is appointed by the participating counties with the mayors of each county serving as ex-officio members. The board comprises eight members, four of whom are appointed by the Lake County Commission, two by the Obion County Commission, and two by the Dyer County Commission. Lake County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. In April 2007, the port authority borrowed \$410,000 without interest for construction costs of the port with payments of \$4,271 due in 96 monthly installments that began April 2009. The Lake County Commission had approved making payments of 50 percent of this debt issuance until such time as the port authority has revenue to make the payments, which is estimated to be at least two years. This entity has yet to begin operations. Their administrative office can be contacted at P.O. Box 267, Dyersburg, TN 38025.

Lake County is a participant with Dyer County and the cities of Tiptonville, Ridgely, and Dyersburg in an entity known as the TennKen Railroad Authority. The governing board for the authority consists of the mayors of both counties and all three cities. This entity was created to facilitate active involvement by all affected local governments in Tennessee regarding a section of railroad track commonly known as the TennKen Railroad. The TennKen Railroad is owned by the Hickman River City Development Corporation (HRCDC), a public entity chartered in Kentucky. The HRCDC had previously purchased the line from Illinois Central Railroad to ensure rail access to the river port in Hickman, Kentucky. All funding for the TennKen Railroad Authority comes from the State of Tennessee through the Tennessee Department of Transportation as grants, which are used for the maintenance and rehabilitation of the TennKen Railroad track and the necessary engineering services for said maintenance and rehabilitation. The Lake County Mayor's Office handles the administration of these grant funds and passes them through to the HRCDC for disbursement.

**F. Retirement Commitments**

**Tennessee Consolidated Retirement System (TCRS)**

**Primary Government**

**General Information About the Pension Plan**

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

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

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

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

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

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

#### **Net Pension Liability (Asset)**

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

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

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

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



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

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

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

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

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



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

#### Changes in the Net Pension Liability (Asset)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Discretely Presented Lake County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

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

## **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

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

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



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

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

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

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

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

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

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

## **Teacher Legacy Pension Plan**

### **General Information About the Pension Plan**

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

**G. Other Postemployment Benefits (OPEB)**

**Plan Description**

The Lake County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

**Funding Policy**

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

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

### Funded Status and Funding Progress

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

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

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

### Actuarial Methods and Assumptions

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

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

## **H. Purchasing Laws**

### **Office of County Mayor**

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

### **Office of Road Superintendent**

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

### **Office of Director of Schools**

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

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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**

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

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

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

Exhibit E-2

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

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

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

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



Exhibit E-3

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

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

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

Exhibit E-4

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

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

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

Exhibit E-5

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

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

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

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

Exhibit E-6

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

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-10	\$ 0	\$ 1,676	\$ 1,676	0 %	4,753	35 %
"	7-1-11	0	1,539	1,539	0	4,808	32
"	7-1-13	0	1,257	1,257	0	4,841	26

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

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

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

Methods and assumptions used to determine contribution rates:

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

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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, 2015

Special Revenue Funds					Total
Law	Solid	Drug	Constitu-		Nonmajor
Library	Waste /	Control	tional		Governmental
	Sanitation		Officers -		Funds
			Fees		
\$	0 \$	0 \$	0 \$	929 \$	929
9,570	8,116	13,788	0	0	31,474
0	5	0	556	0	561
0	0	845	0	0	845
0	25,070	0	0	0	25,070
0	(448)	0	0	0	(448)
\$	9,570 \$	32,743 \$	14,633 \$	1,485 \$	58,431

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Accounts Receivable  
Due from Other Funds  
Property Taxes Receivable  
Allowance for Uncollectible Property Taxes  
Total Assets

LIABILITIES

Accrued Payroll  
Payroll Deductions Payable  
Due to Other Funds  
Due to State of Tennessee  
Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes  
Deferred Delinquent Property Taxes  
Total Deferred Inflows of Resources

(Continued)



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

Exhibit F-1

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

**FUND BALANCES**

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

Exhibit F-2

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

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

**Exhibit F-3**

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

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

## Exhibit F-4

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2015

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

Exhibit F-5

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

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

# **Major Governmental Fund**

## **General Debt Service Fund**

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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, 2015

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

# Fiduciary Funds

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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, 2015

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	
<b>ASSETS</b>						
Cash	\$ 0 \$	0 \$	0 \$	201,741 \$	0 \$	201,741
Equity in Pooled Cash and Investments	0	49,519	8,381	0	1,401	59,301
Due from Other Governments	32,954	0	0	0	0	32,954
Total Assets	\$ 32,954 \$	49,519 \$	8,381 \$	201,741 \$	1,401 \$	293,996
<b>LIABILITIES</b>						
Due to Other Taxing Units	\$ 32,954 \$	49,519 \$	0 \$	0 \$	0 \$	82,473
Due to Litigants, Heirs, and Others	0	0	8,381	201,741	1,401	211,523
Total Liabilities	\$ 32,954 \$	49,519 \$	8,381 \$	201,741 \$	1,401 \$	293,996

Exhibit H-2

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

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

(Continued)

## Exhibit H-2

Lake County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds (Cont.)

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

# 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, 2015

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

Exhibit I-2

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

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

Exhibit I-3

Lake County, Tennessee

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

Discretely Presented Lake County School Department

June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,874,876
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 67,365	
Add: buildings and improvements net of accumulated depreciation	4,782,739	
Add: other capital assets net of accumulated depreciation	<u>374,765</u>	5,224,869
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: compensated absences payable	\$ (39,706)	
Less: other postemployment benefits liability	<u>(952,641)</u>	(992,347)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 439,261	
Less: deferred inflows of resources related to pensions	<u>(1,866,231)</u>	(1,426,970)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: Net pension asset - agent plan	\$ 135,865	
Add: Net pension asset - cost-sharing plan	<u>17,848</u>	153,713
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>50,785</u>
Net position of governmental activities (Exhibit A)		<u>\$ 4,884,926</u>

## Exhibit I-4

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

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



Exhibit I-5

Lake County, Tennessee

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances

of Governmental Funds to the Statement of Activities

Discretely Presented Lake County School Department

For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds (Exhibit I-4) \$ (103,751)

- (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:

Add: capital assets purchased in the current period	\$ 82,795	
Less: current-year depreciation expense	<u>(374,109)</u>	(291,314)

- (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 50,785	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(51,537)</u>	(752)

- (3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in compensated absences payable	\$ (18,327)	
Change in other postemployment benefits liability	(103,187)	
Change in deferred outflows related to pensions	439,261	
Change in deferred inflows related to pensions	(1,866,231)	
Change in net pension asset - agent plan	443,910	
Change in net pension asset - cost-sharing plan	<u>1,416,486</u>	<u>311,912</u>

Change in net position of governmental activities (Exhibit B) \$ (83,905)

Exhibit I-6

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Lake County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 1,211,809	\$ 1,159,963	\$ 1,159,963	\$ 51,846
Licenses and Permits	473	300	300	173
Charges for Current Services	54,990	72,700	72,700	(17,710)
Other Local Revenues	37,659	5,000	5,000	32,659
State of Tennessee	6,062,131	5,976,469	6,000,617	61,514
Federal Government	520,606	416,806	451,741	68,865
Total Revenues	\$ 7,887,668	\$ 7,631,238	\$ 7,690,321	\$ 197,347
<b>Expenditures</b>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,578,648	\$ 3,774,712	\$ 3,609,713	\$ 31,065
Special Education Program	452,121	472,919	472,920	20,799
Vocational Education Program	173,317	138,353	138,352	(34,965)
<u>Support Services</u>				
Attendance	44,466	43,106	43,106	(1,360)
Health Services	91,983	70,323	95,323	3,940
Other Student Support	192,823	196,001	196,001	3,178
Regular Instruction Program	305,481	318,778	318,778	13,297
Special Education Program	96,382	122,549	122,549	26,167
Other Programs	24,148	0	24,148	0
Board of Education	156,764	151,033	151,033	(5,731)
Director of Schools	190,620	164,855	164,855	(25,765)
Office of the Principal	498,198	477,083	477,083	(21,115)
Fiscal Services	66,807	66,817	66,817	10
Operation of Plant	651,602	656,008	656,007	4,405
Maintenance of Plant	111,788	110,775	110,776	(1,012)
Transportation	153,089	160,115	160,115	7,026
<u>Operation of Non-instructional Services</u>				
Food Service	574,200	460,594	495,527	(78,673)
Community Services	137,577	0	140,000	2,423
Early Childhood Education	316,684	316,983	316,983	299
<u>Capital Outlay</u>				
Regular Capital Outlay	49,186	175,000	50,000	814
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,990,884	\$ 7,876,004	\$ 7,935,036	\$ (55,798)
Excess (Deficiency) of Revenues Over Expenditures	\$ (103,216)	\$ (244,766)	\$ (244,765)	\$ 141,549
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 751	\$ 0	\$ 0	\$ 751
Total Other Financing Sources	\$ 751	\$ 0	\$ 0	\$ 751
Net Change in Fund Balance	\$ (102,465)	\$ (244,766)	\$ (244,765)	\$ 142,300
Fund Balance, July 1, 2014	1,956,609	1,364,864	1,364,864	591,745
Fund Balance, June 30, 2015	\$ 1,854,144	\$ 1,120,098	\$ 1,120,099	\$ 734,045

Exhibit I-7

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Lake County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2015

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

Exhibit I-8

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

Other  
Trust  
Fund  

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Private  
Purpose  
Trust  

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ASSETS

Equity in Pooled Cash and Investments

\$ 336,854

NET POSITION

Held in Trust for College Scholarships for Lake County Students

\$ 336,854

Exhibit I-9

Lake County, Tennessee  
Statement of Changes in Fiduciary Net Position  
Discretely Presented Lake County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2015

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

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

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

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

Exhibit J-2

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

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

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 370,000	\$ 388,376	\$ 758,376
2017	395,000	378,846	773,846
2018	410,000	368,639	778,639
2019	420,000	357,954	777,954
2020	435,000	346,891	781,891
2021	445,000	332,451	777,451
2022	460,000	317,459	777,459
2023	480,000	301,889	781,889
2024	490,000	285,441	775,441
2025	505,000	268,566	773,566
2026	520,000	250,739	770,739
2027	545,000	232,334	777,334
2028	565,000	212,499	777,499
2029	590,000	191,924	781,924
2030	615,000	169,884	784,884
2031	535,000	146,333	681,333
2032	555,000	124,532	679,532
2033	575,000	101,827	676,827
2034	600,000	77,295	677,295
2035	635,000	51,645	686,645
2036	350,000	23,300	373,300
2037	155,000	6,200	161,200
Total	\$ 10,650,000	\$ 4,935,024	\$ 15,585,024



**Exhibit J-3**

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

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

Exhibit J-4

**Lake County, Tennessee**  
**Schedule of Salaries and Official Bonds of Principal Officials**  
**Primary Government and Discretely Presented Lake County School Department**  
**For the Year Ended June 30, 2015**

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

- (1) Includes \$450 for serving as chairman of the County Commission.  
(2) Includes \$11,294 paid as health insurance stipend.  
(3) Does not include contract buy out payments of \$25,000 for the former director of schools. Includes a chief executive officer training supplement of \$1,000. Does not include a \$4,800 vehicle allowance or \$7,117 in health, vision, and dental insurance premiums.  
(4) Does not include a law enforcement training supplement of \$600.

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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<b>Other Local Revenues</b>					
Recurring Items					
Investment Income	\$ 49,391	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	60,689	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	295
Commissary Sales	4,272	0	0	0	0
Miscellaneous Refunds	13,983	0	0	0	16,809
Nonrecurring Items					
Damages Recovered from Individuals	140	0	0	0	0
<b>Other Local Revenues</b>					
Other Local Revenues	8,531	0	0	0	0
Total Other Local Revenues	\$ 136,956	\$ 0	\$ 0	\$ 0	\$ 17,104
<b>Fees Received from County Officials</b>					
Fees in-Lieu-of Salary					
County Clerk	\$ 60,069	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	24,928	0	0	0	0
General Sessions Court Clerk	29,703	0	0	0	0
Clerk and Master	18,331	0	0	0	0
Juvenile Court Clerk	5,106	0	0	0	0
Register	15,331	0	0	0	0
Sheriff	2,108	0	0	0	0
Trustee	88,948	0	0	0	0
Total Fees Received from County Officials	\$ 244,524	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

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

(Continued)

Exhibit J-5

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

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

(Continued)



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

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

(Continued)

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

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

(Continued)

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

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

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<b>Other Local Revenues</b>			
<b>Recurring Items</b>			
Investment Income	0	0	49,391
Lease/Rentals	2,240	0	62,929
Sale of Materials and Supplies	0	0	296
Commissary Sales	0	0	4,272
Miscellaneous Refunds	0	0	30,742
<b>Nonrecurring Items</b>			
Damages Recovered from Individuals	0	0	140
<b>Other Local Revenues</b>			
Other Local Revenues	0	0	8,531
<b>Total Other Local Revenues</b>	<b>2,240</b>	<b>0</b>	<b>156,300</b>
<b>Fees Received from County Officials</b>			
<b>Fees in-Lieu-of Salary</b>			
County Clerk	0	0	60,069
Circuit Court Clerk	0	0	24,928
General Sessions Court Clerk	0	0	29,703
Clerk and Master	0	0	18,331
Juvenile Court Clerk	0	0	5,106
Register	0	0	15,331
Sheriff	0	0	2,108
Trustee	0	0	88,948
<b>Total Fees Received from County Officials</b>	<b>0</b>	<b>0</b>	<b>244,524</b>

(Continued)

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

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

(Continued)

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

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

Exhibit J-6

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lake County School Department  
For the Year Ended June 30, 2015

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

(Continued)

Exhibit J-6

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

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



Exhibit J-7

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

General Fund

General Government

County Commission

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

County Mayor/Executive

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

County Attorney

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

Election Commission

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

(Continued)

## Exhibit J-7

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

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

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

Register of Deeds

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

Development

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

County Buildings

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

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

County Trustee's Office

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

County Clerk's Office

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

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

Administration of Justice

Circuit Court

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

General Sessions Court

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

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

Chancery Court

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

Juvenile Court

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

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Juvenile Court (Cont.)

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

Other Administration of Justice

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

Courtroom Security

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

Public SafetySheriff's Department

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

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

Civil Defense

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

Public Health and Welfare

Local Health Center

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

(Continued)

## Exhibit J-7

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

General Fund (Cont.)Public Health and Welfare (Cont.)Local Health Center (Cont.)

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

Ambulance/Emergency Medical Services

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

Sanitation Management

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

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

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

(Continued)



Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

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

Libraries

Contributions	\$	20,000	
Total Libraries			20,000

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agricultural Extension Service

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

Other Operations

Tourism

Contributions	\$	36,058	
Total Tourism			36,058

Other Economic and Community Development

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

Other Charges

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

Contributions to Other Agencies

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

Total General Fund \$ 3,506,533

(Continued)

## Exhibit J-7

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

Law Library FundAdministration of JusticeOther Administration of Justice

Trustee's Commission

\$ 20

Total Other Administration of Justice

\$ 20

Total Law Library Fund

\$ 20

Solid Waste/Sanitation FundPublic Health and WelfareWaste Incinerator

Foremen

\$ 25,857

Social Security

1,901

Unemployment Compensation

154

Contracts with Government Agencies

444

Maintenance and Repair Services - Buildings

631

Maintenance and Repair Services - Equipment

6,106

Diesel Fuel

6,649

Electricity

11,559

Trustee's Commission

602

Workers' Compensation Insurance

13

Solid Waste Equipment

78,265

Total Waste Incinerator

\$ 132,181

Other Waste Disposal

Consultants

\$ 1,492

Contracts with Government Agencies

13,259

Other Contracted Services

19,044

Total Other Waste Disposal

33,795

Principal on DebtGeneral Government

Principal on Capital Leases

\$ 2,844

Total General Government

2,844

Interest on DebtGeneral Government

Interest on Capital Leases

\$ 883

Total General Government

883

Total Solid Waste/Sanitation Fund

169,703

Drug Control FundPublic SafetyDrug Enforcement

Confidential Drug Enforcement Payments

\$ 2,000

Law Enforcement Supplies

6,414

Trustee's Commission

117

Total Drug Enforcement

\$ 8,531

Total Drug Control Fund

8,531

(Continued)

## Exhibit J-7

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

Highway/Public Works FundHighwaysAdministration

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

Highway and Bridge Maintenance

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

Operation and Maintenance of Equipment

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

(Continued)

## Exhibit J-7

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

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

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

Employee Benefits

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

Capital Outlay

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

Principal on DebtHighways and Streets

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

Interest on DebtHighways and Streets

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

Total Highway/Public Works Fund

\$ 1,469,278

General Debt Service FundPrincipal on DebtGeneral Government

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

Education

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

(Continued)

Exhibit J-7

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

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

## Exhibit J-8

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

General Purpose School FundInstructionRegular Instruction Program

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

Special Education Program

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

Vocational Education Program

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

Support ServicesAttendance

Supervisor/Director	\$ 32,736
Career Ladder Program	1,000

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Attendance (Cont.)

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

Health Services

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

Other Student Support

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

Regular Instruction Program

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

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$ 5,011	
Other Equipment	1,495	
Total Regular Instruction Program		\$ 305,481

Special Education Program

Supervisor/Director	\$ 31,177	
Bus Drivers	9,430	
Clerical Personnel	14,788	
Social Security	3,360	
Pensions	4,530	
Medical Insurance	2,219	
Employer Medicare	786	
Travel	1,115	
Other Contracted Services	28,977	
Total Special Education Program		96,382

Other Programs

On-behalf Payments to OPEB	\$ 24,148	
Total Other Programs		24,148

Board of Education

Board and Committee Members Fees	\$ 5,400	
Social Security	335	
Pensions	322	
Employer Medicare	78	
Dues and Memberships	5,351	
Legal Services	20,962	
Travel	7,464	
Other Contracted Services	2,546	
Liability Insurance	18,775	
Trustee's Commission	37,378	
Workers' Compensation Insurance	48,761	
Other Charges	9,392	
Total Board of Education		156,764

Director of Schools

County Official/Administrative Officer	\$ 120,072	
Career Ladder Program	1,000	
Secretary(ies)	18,782	
Social Security	8,039	
Pensions	10,210	
Medical Insurance	10,821	
Employer Medicare	1,880	
Other Fringe Benefits	4,800	
Communication	3,683	
Dues and Memberships	1,075	

(Continued)



Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

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

Office of the Principal

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

Fiscal Services

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

Operation of Plant

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

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Operation of Plant (Cont.)

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

Maintenance of Plant

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

Transportation

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

Operation of Non-instructional ServicesFood Service

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

(Continued)

## Exhibit J-8

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

General Purpose School Fund (Cont.)Operation of Non-instructional Services (Cont.)Community Services

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

Early Childhood Education

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

Capital OutlayRegular Capital Outlay

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

Other Debt ServiceEducation

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

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

(Continued)

## Exhibit J-8

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

School Federal Projects FundInstructionRegular Instruction Program

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

Special Education Program

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

Vocational Education Program

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

Support ServicesOther Student Support

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

Regular Instruction Program

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

(Continued)

Exhibit J-8

Lake County, Tennessee

Schedule of Detailed Expenditures -

All Governmental Fund Types

Discretely Presented Lake County School Department (Cont.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

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

Special Education Program

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

Vocational Education Program

Travel	\$	476	
Total Vocational Education Program			476

Total School Federal Projects Fund			\$ 681,479
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Total Governmental Funds - Lake County School Department			\$ 8,672,363
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Exhibit J-9

Lake County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2015

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 186,023
Total Cash Receipts	<u>\$ 186,023</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 184,163
Trustee's Commission	1,860
Total Cash Disbursements	<u>\$ 186,023</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
Cash Balance, June 30, 2015	<u>\$ 0</u>

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## SINGLE AUDIT SECTION

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

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

**Independent Auditor's Report**

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements, and have issued our report thereon dated October 13, 2015.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002, 2015-004, 2015-005(A), and 2015-006(B,C).

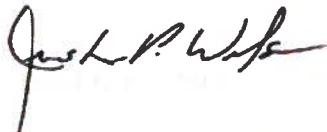
### **Lake County's Response to Findings**

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

### **Purpose of this Report**

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

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 13, 2015

JPW/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT

SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

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

**Independent Auditor's Report**

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Lake County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lake County's major federal programs for the year ended June 30, 2015. Lake County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lake County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform

the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lake County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Lake County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Lake County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

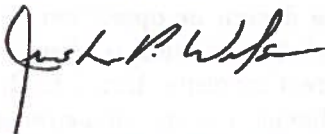


The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated October 13, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 13, 2015

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 111,259
National School Lunch Program	10.555	N/A	357,762 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	34,935 (3)
Total U.S. Department of Agriculture			<u>\$ 503,946</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(2)	\$ 197,572
Total U.S. Department of Housing and Urban Development			<u>\$ 197,572</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 13,881
Total U.S. Department of the Interior			<u>\$ 13,881</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA/WIOA Youth Activities	17.259	(2)	\$ 16,660
Total U.S. Department of Labor			<u>\$ 16,660</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 362,225
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	182,445
Special Education - Preschool Grants	84.173	N/A	7,735
Career and Technical Education - Basic Grants to States	84.048	N/A	19,868
Twenty-first Century Community Learning Centers	84.287	N/A	134,553
Rural Education	84.358	N/A	11,621
Improving Teacher Quality State Grants	84.367	N/A	57,288
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	41,048
Total U.S. Department of Education			<u>\$ 816,783</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 48,241
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	(2)	53,158
Total U.S. Department of Health and Human Services			<u>\$ 101,399</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 11,989
Homeland Security Grant Program	97.067	(2)	3,285
Total U.S. Department of Homeland Security			<u>\$ 15,274</u>
Total Federal Awards			<u>\$ 1,674,515</u>
		Contract Number	
<u>State Grants:</u>			
Local Health Services - State Department of Health	N/A	(2)	\$ 3,632
Litter Program - State Department of Transportation	N/A	(2)	24,817
Early Childhood Education - State Department of Education	N/A	(2)	316,685
Energy Efficient School Initiative - State Department of Education	N/A	(2)	3,000
ARTS Ticket Subsidy - State Department of Education	N/A	(2)	3,000
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(2)	1,056
After School Program Grant - State Department of Education	N/A	(2)	10,000
Connect Tennessee - State Department of Education	N/A	(2)	2,444
Safe Schools - State Department of Education	N/A	(2)	5,940
Coordinated School Health - State Department of Education	N/A	(2)	93,356
Family Resource Center - State Department of Education	N/A	(2)	29,612
Total State Grants			<u>\$ 493,542</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$392,687.

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

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Lake County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

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

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
2014-007	142	Expenditures exceeded appropriations

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

Finding Number	Page Number	Subject
2014-011	146	Duties were not segregated adequately

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**LAKE COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

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



## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

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

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 2015-001**

#### **THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2015**

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

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

#### **RECOMMENDATION**

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

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#### **FINDING 2015-002**

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

*(Noncompliance Under Government Auditing Standards)*

We noted the following deficiencies in budget operations:

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

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

#### **RECOMMENDATION**

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

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#### **FINDING 2015-003**

#### **GENERAL FUND PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY**

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

General ledger payroll liability accounts for the General Fund were not reconciled on a monthly basis with payroll reports and payments. As a result, unidentified balances accumulated in the liability accounts for social security, income tax, retirement, insurance, garnishments, credit union deductions, and annuities. Sound business practices dictate that these reconciliations be performed monthly. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected.

#### **RECOMMENDATION**

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

---

#### **FINDING 2015-004**

#### **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE**

*(Noncompliance Under Government Auditing Standards)*

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

## RECOMMENDATION

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

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### FINDING 2015-005

#### **DEFICIENCIES WERE NOTED RELATED TO COUNTY FUEL PURCHASES**

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

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

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



## RECOMMENDATION

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

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## OFFICE OF DIRECTOR OF SCHOOLS

### FINDING 2015-006

#### **THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN BUDGET OPERATIONS**

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

We noted the following deficiencies in budget operations:

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

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

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

#### **RECOMMENDATION**

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

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

##### **FINDING 2015-007**

##### **DUTIES WERE NOT SEGREGATED ADEQUATELY**

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

Duties were not segregated adequately among officials and employees in the Offices of County Mayor; Road Superintendent; Director of Schools; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register of Deeds; Sheriff; and the Ambulance Service. Officials and employees responsible for maintaining accounting records were also involved in billing, receipting, depositing, posting, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

#### **RECOMMENDATION**

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

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

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

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

**There were no findings and questioned costs for federal awards.**

## **BEST PRACTICE**

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

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

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

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

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

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