



**ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



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FOR THE YEAR ENDED JUNE 30, 2013**

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

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

HARDIN COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Hardin County as of and for the year ended June 30, 2013.

Results

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

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

Findings and Best Practice

The following are summaries of the audit findings and best practice:

OFFICE OF HIGHWAY COMMISSIONER

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
-

OFFICE OF TRUSTEE

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

OFFICE OF GENERAL SESSIONS COURT CLERK

- ◆ A cash shortage of at least \$15,008 existed in the General Sessions Court on April 23, 2013.
 - ◆ The office had deficiencies in depositing funds.
-

HARDIN COUNTY

- ◆ Hardin County has a material recurring audit finding.
-

BEST PRACTICE

Hardin County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing 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 Hardin County.

INTRODUCTORY SECTION

Hardin County Officials
June 30, 2013

Officials

Kevin Davis, County Mayor
Paul Blount, Highway Commissioner
John Thomas, Director of Schools
Linda McCasland, Trustee
Calvin Hinton, Assessor of Property
Connie Stephens, County Clerk
Diane Polk, Circuit and General Sessions Courts Clerk
Martha Smith, Clerk and Master
Julie Gail Adkisson, Register of Deeds
Sammy Davidson, Sheriff
Linda Franks, Accounting and Budget Director

Board of County Commissioners

Kevin Davis, County Mayor, Chairman
Boyce Bain
James Berry, Jr.
Larry Byrd
Nickie Cagle
David Channell
David Childers
Adam Coleman
Gary Combs
Vicky Cotner
Mike Fowler

Jimmy Grisham
Wally Hamilton
Charles Holloway
Darren Howard
Roger Jenkins
Mike Jerrolds
Fred McFalls, Jr.
Jonas Morris
Thomas Smith
Emery White

Highway Commission

Kevin Davis, County Mayor, Secretary
Hugh Gresham
Billy Grooms

Carter Horton
Jamie Lee Johnson

Board of Education

David Burgess, Chairman
Ron Ashe
James David Baker
Jeanelle Dennis
Justin Johnson

Brad Jones
Janie Milender
Danny Sewell
Olga Turnbow
Gary Vickery

Audit Committee

David Davis
Jonas Morris
Thomas Smith
Emery White
Sue Williams

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
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Independent Auditor's Report

Hardin County Mayor and
Board of County Commissioners
Hardin 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Also, we did not audit the financial statements of the discretely presented Hardin Medical Center (which represent 38.5 percent, 35.8 percent, and 53.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units), the discretely presented Hardin County Emergency Communications District (which represent 2.8 percent, 2.1 percent, and 1.4 percent, respectively, of the assets, net position, and revenues of the

aggregate discretely presented component units), or the discretely presented Hardin County Convention and Visitors Bureau (which represent .1 percent, .1 percent, and .3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Park Rest Hardin County Health Center, Hardin Medical Center, Hardin County Emergency Communications District, and Hardin County Convention and Visitors Bureau is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note I.D.8. in the financial statements, which describes a restatement to the beginning balance of the government-wide financial statements totaling \$1,258,570. This restatement was necessary because prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs.

As described in Note V.B., Hardin County has adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Hardin County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

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 schedules of funding progress – pension plans and other postemployment benefit plans on pages 117-120 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 Hardin 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 and Rural Debt Service funds, combining and individual fund financial statements of the Hardin 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.

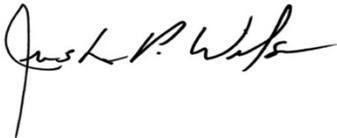
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component 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 and Rural Debt Service funds, combining and individual fund financial statements of the Hardin 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 February 10, 2014, on our consideration of Hardin 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 Hardin County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 10, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardin County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government		Component Units					
	Governmental Activities	Business- type Activities	Total	Hardin	Hardin	Emergency	Hardin	
				School Department	Medical Center	Communications District	County Convention and Visitors Bureau	
ASSETS								
Cash	\$ 271	\$ 277,443	\$ 277,714	\$ 0	\$ 11,652,374	\$ 619,120	\$ 4,813	
Equity in Pooled Cash and Investments	7,788,292	0	7,788,292	3,108,959	0	0	0	0
Inventories	0	5,202	5,202	0	1,314,505	0	0	0
Accounts Receivable	84,424	710,692	795,116	25,084	5,952,677	10,458	108,406	
Due from Other Governments	1,024,013	0	1,024,013	1,575,961	0	0	0	0
Due from Component Units	2,012,243	0	2,012,243	0	0	0	0	0
Property Taxes Receivable	6,022,128	0	6,022,128	6,532,594	0	0	0	0
Allowance for Uncollectible Property Taxes	(377,549)	0	(377,549)	(409,554)	0	0	0	0
Prepaid Items	0	19,928	19,928	0	27,995	0	10,000	
Accrued Interest Receivable	16,833	0	16,833	0	0	0	0	0
Other Current Assets	0	0	0	0	376,513	0	0	0
Restricted Assets:								
Cash and Cash Equivalents	0	0	0	0	0	78,188	0	0
Patient Trust	0	7,438	7,438	0	0	0	0	0
Capital Assets:								
Assets Not Depreciated:								
Land	1,913,569	26,700	1,940,269	1,149,600	274,533	127,150	0	0
Construction in Progress	0	0	0	0	180,134	0	0	0
Assets Net of Accumulated Depreciation:								
Buildings and Improvements	11,336,261	350,590	11,686,851	40,979,459	13,309,366	1,194,373	0	0
Infrastructure	9,169,311	0	9,169,311	0	0	0	0	0
Other Capital Assets	1,869,106	74,698	1,943,804	1,516,985	2,793,492	490,216	378	
Total Assets	\$ 40,858,902	\$ 1,472,691	\$ 42,331,593	\$ 54,479,088	\$ 35,881,589	\$ 2,638,363	\$ 123,597	
LIABILITIES								
Accounts Payable	\$ 15,355	\$ 24,970	\$ 40,325	\$ 55,044	\$ 1,068,208	\$ 25,431	\$ 23,060	
Accrued Management Fee	0	897,146	897,146	0	0	0	0	0
Other Accrued Expenses	0	140,844	140,844	0	2,240,708	32,415	0	0
Accrued Payroll	175,253	0	175,253	0	0	0	0	0
Payroll Deductions Payable	14,678	0	14,678	160,750	0	0	655	
Due to Primary Government	0	0	0	2,012,243	0	0	0	0
Accrued Interest Payable	192,333	0	192,333	0	0	0	0	0
Other Current Liabilities	0	0	0	0	10,391	0	0	0

(Continued)

Exhibit A

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

	Primary Government		Component Units						
	Governmental Activities	Business- type Activities	Total	Hardin	Hardin	Emergency	Hardin		
				School Department	Medical Center	Communications District	County Convention and Visitors Bureau		
LIABILITIES (CONT.)									
Current Liabilities Payable from Restricted Assets:									
Patient Trust	\$ 0	\$ 7,438	\$ 7,438	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Noncurrent Liabilities:									
Due Within One Year	2,007,225	0	2,007,225	246,519	498,415	30,000			0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	47,945,685	0	47,945,685	4,719,178	8,155,986	1,181,668			0
Total Liabilities	\$ 50,350,529	\$ 1,070,398	\$ 51,420,927	\$ 7,193,734	\$ 11,973,708	\$ 1,269,514	\$ 23,715		
DEFERRED INFLOWS OF RESOURCES									
Deferred Current Property Taxes	\$ 5,400,025	\$ 0	\$ 5,400,025	\$ 5,857,758	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Deferred Inflows of Resources	\$ 5,400,025	\$ 0	\$ 5,400,025	\$ 5,857,758	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
NET POSITION									
Net Investment in Capital Assets	\$ 11,797,966	\$ 451,988	\$ 12,249,954	\$ 43,646,044	\$ 7,903,124	\$ 600,071	\$ 378		
Restricted for:									
General Government	1,304	0	1,304	0	0	0	0	0	0
Finance	4,729	0	4,729	0	0	0	0	0	0
Administration of Justice	47,158	0	47,158	0	0	0	0	0	0
Public Safety	177,384	0	177,384	0	0	0	0	0	0
Public Health and Welfare	147,905	0	147,905	0	0	0	0	0	0
Social, Cultural, and Recreational	554,747	0	554,747	0	0	0	0	0	0
Other Operations	91,371	0	91,371	0	0	0	0	0	0
Highway/Public Works	172,235	0	172,235	0	0	0	0	0	0
Education	0	0	0	212,274	0	0	0	0	0
Operation of Non-Instructional Services	0	0	0	420,447	0	0	0	0	0
Debt Service	2,241,194	0	2,241,194	0	0	78,188	0	0	0
Capital Projects	0	0	0	991,756	0	0	0	0	0
Unrestricted	(30,127,645)	(49,695)	(30,177,340)	(3,842,925)	16,004,757	690,590	99,504		
Total Net Position	\$ (14,891,652)	\$ 402,293	\$ (14,489,359)	\$ 41,427,596	\$ 23,907,881	\$ 1,368,849	\$ 99,882		

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

Exhibit B

Hardin County, Tennessee
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position											
	Program Revenues					Component Units						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Primary Government Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau	
Primary Government:												
Governmental Activities:												
General Government	\$ 984,780	\$ 238,071	\$ 31,790	\$ 0	\$ (714,919)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	978,635	722,571	14,239	0	(241,825)	0	0	0	0	0	0	0
Administration of Justice	771,538	694,469	25,160	0	(51,909)	0	0	0	0	0	0	0
Public Safety	5,541,323	922,077	48,901	114,651	(4,455,694)	0	(4,455,694)	0	0	0	0	0
Public Health and Welfare	2,326,100	337,833	159,103	0	(1,829,164)	0	(1,829,164)	0	0	0	0	0
Social, Cultural, and Recreational Services	529,890	1,200	586,304	17,742	75,356	0	75,356	0	0	0	0	0
Agriculture and Natural Resources	235,016	89,730	0	0	(145,286)	0	(145,286)	0	0	0	0	0
Other Operations	1,310,239	26,772	0	591,846	(691,621)	0	(691,621)	0	0	0	0	0
Highways/Public Works	3,944,545	0	1,885,376	0	(2,059,169)	0	(2,059,169)	0	0	0	0	0
Interest on Long-term Debt	2,492,252	0	2,723,584	0	231,332	0	231,332	0	0	0	0	0
Other Debt Service	45,703	0	0	0	(45,703)	0	(45,703)	0	0	0	0	0
Total Governmental Activities	\$ 19,160,021	\$ 3,032,723	\$ 5,474,457	\$ 724,239	\$ (9,928,602)	\$ 0	\$ (9,928,602)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:												
Park Rest Hardin County Health Center	\$ 2,750,565	\$ 2,667,401	\$ 0	\$ 0	\$ (83,164)	\$ (83,164)	\$ (83,164)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 2,750,565	\$ 2,667,401	\$ 0	\$ 0	\$ (83,164)	\$ (83,164)	\$ (83,164)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 21,910,586	\$ 5,700,124	\$ 5,474,457	\$ 724,239	\$ (9,928,602)	\$ (83,164)	\$ (10,011,766)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:												
School Department	\$ 36,191,958	\$ 790,591	\$ 5,292,535	\$ 61,305	\$ 0	\$ 0	\$ (30,047,527)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Hardin Medical Center	37,446,666	37,159,130	1,445,099	0	0	0	0	1,157,563	0	0	0	0
Emergency Communications District	817,780	665,217	280,456	25,259	0	0	0	0	0	153,152	0	0
Hardin County Convention and Visitors Bureau	252,205	20,076	7,598	0	0	0	0	0	0	0	(224,531)	0
Total Component Units	\$ 74,708,609	\$ 38,635,014	\$ 7,025,688	\$ 86,564	\$ 0	\$ 0	\$ (30,047,527)	\$ 1,157,563	\$ 153,152	\$ 0	\$ (224,531)	\$ 0

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Primary Government Business-type Activities			Component Units				
					Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau			
General Revenues:												
Taxes:												
Property Taxes Levied for General Purposes				\$ 5,406,861	\$ 0	\$ 5,406,861	\$ 6,157,143	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service				213,503	0	213,503	0	0	0	0	0	0
Local Option Sales Taxes				852,701	0	852,701	3,750,426	0	0	0	0	0
Hotel/Motel Tax				214,504	0	214,504	0	0	0	0	0	199,727
Wheel Tax				1,082,085	0	1,082,085	0	0	0	0	0	0
Litigation Tax				161,339	0	161,339	0	0	0	0	0	0
Business Tax				140,740	0	140,740	0	0	0	0	0	0
Mineral Severance Tax				48,640	0	48,640	0	0	0	0	0	0
Wholesale Beer Tax				365,105	0	365,105	0	0	0	0	0	0
Other Local Taxes				1,009	0	1,009	0	0	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs				1,615,907	0	1,615,907	16,169,778	45,581	0	0	0	0
Unrestricted Investment Income				71,784	321	72,105	0	125,727	4,109	0	0	0
Miscellaneous				93,665	374	94,039	297,156	115,102	7,215	1,650	0	0
Total General Revenues				\$ 10,267,843	\$ 685	\$ 10,268,538	\$ 26,374,503	\$ 286,410	\$ 11,324	\$ 201,377	\$ 0	\$ 0
Change in Net Position				\$ 339,241	\$ (82,469)	\$ 256,772	\$ (3,673,024)	\$ 1,443,973	\$ 164,476	\$ (23,154)	\$ 0	\$ 0
Net Position, July 1, 2012				(13,972,323)	484,762	(13,487,561)	45,100,620	22,463,908	1,234,702	123,036	0	0
Restatement - See Notes I.D.8 and VIII.L.				(1,258,570)	0	(1,258,570)	0	0	(30,329)	0	0	0
Net Position, June 30, 2013				\$ (14,891,652)	\$ 402,293	\$ (14,489,359)	\$ 41,427,596	\$ 23,907,881	\$ 1,368,849	\$ 99,882	\$ 0	\$ 0

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

Hardin County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	Highway / Public Works		General Debt Service		Other Governmental Funds		
	General		General Debt Service	Rural Debt Service			
\$	0	0	0	0	0	271	271
	4,838,472	299,070	1,151,487	1,189,269	309,994		7,788,292
	56,851	145	2,200	0	25,228		84,424
	394,641	340,719	0	82,124	206,529		1,024,013
	271	0	0	0	0	271	271
	0	0	0	259,557	0	0	259,557
	5,111,565	682,922	227,641	0	0	0	6,022,128
	(320,463)	(42,815)	(14,271)	0	0	0	(377,549)
	16,833	0	0	0	0	0	16,833
\$	10,098,170	1,280,041	1,367,057	1,530,950	542,022		14,818,240

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Due from Component Units
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Accrued Interest Receivable

Total Assets

LIABILITIES

Accounts Payable
 Accrued Payroll
 Payroll Deductions Payable
 Due to Other Funds
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway /	General		Rural	Other	Govern- mental Funds	
		Public Works	Debt Service	Debt Service	Debt Service			
\$	1,304	0	0	0	0	0	0	1,304
	4,729	0	0	0	0	0	0	4,729
	47,158	0	0	0	0	0	0	47,158
	65,992	0	0	0	0	111,392	0	177,384
	56,982	0	0	0	0	0	0	56,982
	554,747	0	0	0	0	0	0	554,747
	91,371	0	0	0	0	0	0	91,371
	0	0	889,123	1,363,642	0	0	0	2,252,765
	97,201	0	0	0	0	0	0	97,201
	451,984	0	0	0	0	0	0	451,984
	359,955	0	0	0	0	314,939	0	674,894
	0	471,130	0	0	0	0	0	471,130
	0	0	265,176	0	0	0	0	265,176
	9,977	0	0	0	0	0	0	9,977
	8,147	0	0	0	0	0	0	8,147
	44,802	0	0	0	0	0	0	44,802
	7,455	0	0	0	0	0	0	7,455
	72,095	0	0	0	0	0	0	72,095
	3,083,725	0	0	0	0	0	0	3,083,725
\$	4,957,624	471,130	1,154,299	1,363,642	426,331	0	0	8,373,026
\$	10,098,170	1,280,041	1,367,057	1,530,950	542,022	0	0	14,818,240

FUND BALANCES

Restricted:	
Restricted for General Government	
Restricted for Finance	
Restricted for Administration of Justice	
Restricted for Public Safety	
Restricted for Public Health and Welfare	
Restricted for Social, Cultural, and Recreational Services	
Restricted for Other Operations	
Restricted for Debt Service	
Committed:	
Committed for Administration of Justice	
Committed for Public Safety	
Committed for Public Health and Welfare	
Committed for Highways/Public Works	
Committed for Debt Service	
Assigned:	
Assigned for General Government	
Assigned for Administration of Justice	
Assigned for Public Safety	
Assigned for Social, Cultural, and Recreational Services	
Assigned for Other Operations	
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

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

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)		\$	8,373,026
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,913,569	
Add: buildings and improvements net of accumulated depreciation		11,336,261	
Add: infrastructure net of accumulated depreciation		9,169,311	
Add: other capital assets net of accumulated depreciation		<u>1,869,106</u>	24,288,247
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(989,845)	
Less: capital leases payable		(2,320,677)	
Less: bonds payable		(45,895,000)	
Add: due from School Department for debt retirement		1,752,686	
Add: deferred charges - discount on debt issued		1,910	
Less: compensated absences payable		(167,801)	
Less: landfill postclosure care costs		(302,766)	
Less: other postemployment benefits liability		(200,456)	
Less: accrued interest on bonds, notes, and capital leases		(192,333)	
Less: other deferred revenue - premium on debt		<u>(78,275)</u>	(48,392,557)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>839,632</u>
Net position of governmental activities (Exhibit A)			<u>\$ (14,891,652)</u>

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

Exhibit C-3

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds						Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works		General Debt Service		Rural Debt Service	Other Governmental Funds		
<u>Revenues</u>									
Local Taxes	\$ 6,366,994	\$ 807,350	\$ 217,895	\$ 346,039	\$ 884,832	\$ 8,623,110			
Licenses and Permits	100,453	0	0	0	0	100,453			
Fines, Forfeitures, and Penalties	189,542	0	0	0	33,620	223,162			
Charges for Current Services	150,553	0	0	0	279,341	429,894			
Other Local Revenues	770,073	26,455	28,340	6,115	46,613	877,596			
Fees Received from County Officials	1,358,865	0	0	0	0	1,358,865			
State of Tennessee	2,296,087	2,396,988	19,463	0	14,239	4,726,777			
Federal Government	132,393	134,993	0	626,408	0	893,794			
Other Governments and Citizens Groups	180,865	0	395,221	1,834,424	5,246	2,415,756			
Total Revenues	\$ 11,545,825	\$ 3,365,786	\$ 660,919	\$ 2,812,986	\$ 1,263,891	\$ 19,649,407			
<u>Expenditures</u>									
Current:									
General Government	\$ 1,115,430	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,115,430			
Finance	728,976	0	0	0	0	728,976			
Administration of Justice	570,522	0	0	0	1,650	572,172			
Public Safety	3,887,141	0	0	0	5,485	3,892,626			
Public Health and Welfare	1,414,788	0	0	0	1,292,094	2,706,882			
Social, Cultural, and Recreational Services	325,161	0	0	0	0	325,161			
Agriculture and Natural Resources	138,702	0	0	0	0	138,702			
Other Operations	2,907,338	0	0	0	176,731	3,084,069			
Highways	0	3,396,049	0	0	0	3,396,049			
Debt Service:									
Principal on Debt	209,791	0	1,043,258	839,633	0	2,092,682			
Interest on Debt	38,311	0	536,667	1,920,936	0	2,495,914			
Other Debt Service	0	0	38,786	6,838	0	45,624			
Total Expenditures	\$ 11,336,160	\$ 3,396,049	\$ 1,618,711	\$ 2,767,407	\$ 1,475,960	\$ 20,594,287			
Excess (Deficiency) of Revenues Over Expenditures	\$ 209,665	\$ (30,263)	\$ (957,792)	\$ 45,579	\$ (212,069)	\$ (944,880)			

(Continued)

Exhibit C-3

Hardin 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	Rural Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 166,778	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	166,778
Transfers In	0	0	832,054	0	0	0	832,054
Transfers Out	(607,745)	(224,309)	0	0	0	0	(832,054)
Total Other Financing Sources (Uses)	\$ (440,967)	\$ (224,309)	\$ 832,054	\$ 0	\$ 0	\$ 0	166,778
Net Change in Fund Balances	\$ (231,302)	\$ (254,572)	\$ (125,738)	\$ 45,579	\$ (212,069)	\$	(778,102)
Fund Balance, July 1, 2012	5,188,926	725,702	1,280,037	1,318,063	638,400		9,151,128
Fund Balance, June 30, 2013	\$ 4,957,624	\$ 471,130	\$ 1,154,299	\$ 1,363,642	\$ 426,331	\$	8,373,026

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

Exhibit C-4

Hardin 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, 2013

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)		\$	(778,102)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,711,801	
Less: current-year depreciation expense		<u>(2,482,520)</u>	(770,719)
(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, 2013	\$	839,632	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(725,025)</u>	114,607
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect 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 these differences in the treatment of long-term debt and related items.			
Add: change in premium on debt issuance	\$	3,881	
Less: change in discount on debt issuance		(79)	
Add: principal payments on notes		449,258	
Add: principal payments on capital leases		239,424	
Add: principal payments on bonds		1,165,000	
Less: principal contribution on capital lease from School Department		<u>(29,633)</u>	1,827,851
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	3,662	
Change in compensated absences payable		(24,003)	
Change in landfill postclosure care costs		(399)	
Change in other postemployment benefits liability		<u>(33,656)</u>	<u>(54,396)</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>339,241</u></u>

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

Exhibit C-5

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,366,994	\$ 0	\$ 0	\$ 6,366,994	\$ 6,306,728	\$ 6,306,728	\$ 60,266
Licenses and Permits	100,453	0	0	100,453	101,600	101,600	(1,147)
Fines, Forfeitures, and Penalties	189,542	0	0	189,542	179,480	179,680	9,862
Charges for Current Services	150,553	0	0	150,553	107,200	107,200	43,353
Other Local Revenues	770,073	0	0	770,073	237,465	811,606	(41,533)
Fees Received from County Officials	1,358,865	0	0	1,358,865	1,283,500	1,283,500	75,365
State of Tennessee	2,296,087	0	0	2,296,087	2,158,968	2,201,168	94,919
Federal Government	132,393	0	0	132,393	68,423	191,522	(59,129)
Other Governments and Citizens Groups	180,865	0	0	180,865	158,340	166,434	14,431
Total Revenues	\$ 11,545,825	\$ 0	\$ 0	\$ 11,545,825	\$ 10,601,704	\$ 11,349,438	\$ 196,387
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 61,490	\$ 0	\$ 0	\$ 61,490	\$ 69,991	\$ 69,991	\$ 8,501
Board of Equalization	1,380	0	0	1,380	1,500	1,500	120
Beer Board	3,775	0	0	3,775	4,075	4,075	300
Other Boards and Committees	150	0	0	150	1,100	1,100	950
County Mayor/Executive	144,026	0	0	144,026	145,107	145,107	1,081
County Attorney	2,693	0	0	2,693	7,000	7,000	4,307
Election Commission	152,172	0	0	152,172	169,476	169,476	17,304
Register of Deeds	143,331	0	0	143,331	149,007	149,007	5,676
County Buildings	606,413	(19,891)	9,977	596,499	598,862	630,166	33,667
<u>Finance</u>							
Accounting and Budgeting	109,043	0	0	109,043	109,400	109,400	357
Property Assessor's Office	197,109	(121)	0	196,988	201,982	201,982	4,994
Reappraisal Program	32,674	0	0	32,674	28,000	32,705	31
County Trustee's Office	157,056	0	0	157,056	164,903	164,903	7,847
County Clerk's Office	233,094	(121)	0	232,973	236,296	236,546	3,573

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 293,335	\$ (285)	0	\$ 293,050	\$ 299,091	\$ 305,283	\$ 12,233
General Sessions Court	139,702	(285)	0	139,417	140,083	140,083	666
Drug Court	9,541	(9,541)	8,147	8,147	10,500	10,500	2,353
Chancery Court	127,944	0	0	127,944	122,374	132,349	4,405
<u>Public Safety</u>							
Sheriff's Department	1,290,215	0	2,852	1,293,067	1,357,892	1,325,632	32,565
Traffic Control	24,358	0	0	24,358	9,697	34,698	10,340
Administration of the Sexual Offender Registry	2,530	0	0	2,530	1,200	3,200	670
Jail	1,485,065	0	41,950	1,527,015	1,528,011	1,578,773	51,758
Juvenile Services	105,119	0	0	105,119	108,954	108,954	3,835
Fire Prevention and Control	584,261	0	0	584,261	697,471	655,975	71,714
Civil Defense	126,785	(50)	0	126,735	94,796	127,036	301
Other Public Safety	268,808	0	0	268,808	268,845	268,845	37
<u>Public Health and Welfare</u>							
Local Health Center	142,877	0	0	142,877	146,600	147,300	4,423
Rabies and Animal Control	785,918	0	0	785,918	736,141	883,073	97,155
Ambulance/Emergency Medical Services	326,214	0	0	326,214	172,000	327,200	986
Alcohol and Drug Programs	30,000	0	0	30,000	30,000	30,000	0
Crippled Children Services	2,005	0	0	2,005	2,005	2,005	0
General Welfare Assistance	20,842	0	0	20,842	3,100	24,040	3,198
Other Local Welfare Services	10,000	0	0	10,000	8,000	10,000	0
Sanitation Education/Information	96,932	0	0	96,932	97,529	97,529	597
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	63,543	0	0	63,543	66,924	66,924	3,381
Libraries	216,168	0	7,455	223,623	219,916	768,597	544,974
Other Social, Cultural, and Recreational	45,450	0	0	45,450	27,250	45,850	400
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	74,672	0	0	74,672	76,917	76,917	2,245

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture and Natural Resources (Cont.)</u>							
Forest Service	\$ 1,000	\$ 0	\$ 0	\$ 1,000	\$ 1,000	\$ 0	0
Soil Conservation	25,221	0	0	25,221	25,221	0	0
Flood Control	33,939	0	0	33,939	36,939	3,000	3,000
Other Agriculture and Natural Resources	3,870	0	0	3,870	6,030	2,160	2,160
<u>Other Operations</u>							
Tourism	198,276	(19,735)	19,095	197,636	180,000	205,500	7,864
Tourism-Resort District	698,163	(49,906)	50,000	698,257	695,000	706,500	8,243
Industrial Development	66,768	0	0	66,768	68,800	68,800	2,032
Other Economic and Community Development	22,402	(224)	0	22,178	15,000	25,000	2,822
Airport	70,443	0	0	70,443	25,000	70,443	0
Veterans' Services	50,854	0	0	50,854	52,224	52,224	1,370
Other Charges	263,253	0	0	263,253	263,400	266,810	3,557
Contributions to Other Agencies	20,500	0	0	20,500	15,500	20,500	0
Employee Benefits	1,506,488	0	0	1,506,488	1,600,600	1,603,701	97,213
Miscellaneous	10,191	0	3,000	13,191	10,500	14,923	1,732
<u>Principal on Debt</u>							
General Government	209,791	0	0	209,791	0	209,791	0
<u>Interest on Debt</u>							
General Government	38,311	0	0	38,311	0	38,311	0
Total Expenditures	\$ 11,336,160	\$ (100,159)	\$ 142,476	\$ 11,378,477	\$ 11,108,270	\$ 12,445,414	\$ 1,066,937
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 209,665	\$ 100,159	\$ (142,476)	\$ 167,348	\$ (506,566)	\$ (1,095,976)	\$ 1,263,324
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 166,778	\$ 0	\$ 0	\$ 166,778	\$ 0	\$ 160,983	\$ 5,795
Transfers Out	(607,745)	0	0	(607,745)	(607,745)	(607,745)	0
Total Other Financing Sources	\$ (440,967)	\$ 0	\$ 0	\$ (440,967)	\$ (607,745)	\$ (446,762)	\$ 5,795

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (231,302)	\$ 100,159	\$ (142,476)	\$ (273,619)	\$ (1,114,311)	\$ (1,542,738)	\$ 1,269,119
Fund Balance, July 1, 2012	5,188,926	(100,159)	0	5,088,767	5,080,455	5,080,455	8,312
Fund Balance, June 30, 2013	\$ 4,957,624	\$ 0	\$ (142,476)	\$ 4,815,148	\$ 3,966,144	\$ 3,537,717	\$ 1,277,431

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

Exhibit C-6

Hardin County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 807,350	\$ 974,628	\$ 974,628	\$ (167,278)
Other Local Revenues	26,455	40,000	40,000	(13,545)
State of Tennessee	2,396,988	3,141,177	3,141,177	(744,189)
Federal Government	134,993	238,800	238,800	(103,807)
Total Revenues	<u>\$ 3,365,786</u>	<u>\$ 4,394,605</u>	<u>\$ 4,394,605</u>	<u>\$ (1,028,819)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 264,093	\$ 270,591	\$ 270,591	\$ 6,498
Highway and Bridge Maintenance	1,228,987	1,476,400	1,476,400	247,413
Operation and Maintenance of Equipment	433,862	444,208	454,708	20,846
Other Charges	179,823	382,809	183,980	4,157
Employee Benefits	405,358	405,500	415,600	10,242
Capital Outlay	883,926	1,593,500	1,547,420	663,494
Total Expenditures	<u>\$ 3,396,049</u>	<u>\$ 4,573,008</u>	<u>\$ 4,348,699</u>	<u>\$ 952,650</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (30,263)	\$ (178,403)	\$ 45,906	\$ (76,169)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (224,309)	\$ 0	\$ (224,309)	\$ 0
Total Other Financing Sources	<u>\$ (224,309)</u>	<u>\$ 0</u>	<u>\$ (224,309)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (254,572)	\$ (178,403)	\$ (178,403)	\$ (76,169)
Fund Balance, July 1, 2012	<u>725,702</u>	<u>283,755</u>	<u>283,755</u>	<u>441,947</u>
Fund Balance, June 30, 2013	<u>\$ 471,130</u>	<u>\$ 105,352</u>	<u>\$ 105,352</u>	<u>\$ 365,778</u>

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

Hardin County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2013

	Major Fund
	<u>Business-type Activities - Enterprise Fund</u>
	<u>Park Rest Hardin County Health Center</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 277,443
Inventories	5,202
Accounts Receivable	710,692
Prepaid Items	19,928
Restricted Assets:	
Patient Trust	7,438
Total Current Assets	<u>\$ 1,020,703</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	350,590
Other Capital Assets	74,698
Total Noncurrent Assets	<u>\$ 451,988</u>
Total Assets	<u>\$ 1,472,691</u>
<u>LIABILITIES</u>	
Liabilities:	
Accounts Payable	\$ 24,970
Accrued Management Fee	897,146
Other Accrued Expenses	140,844
Current Liabilities Payable from Restricted Assets:	
Patient Trust	7,438
Total Liabilities	<u>\$ 1,070,398</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 451,988
Unrestricted	<u>(49,695)</u>
Net Position	<u>\$ 402,293</u>

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

Exhibit D-2

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,667,401
Total Operating Revenues	<u>\$ 2,667,401</u>
<u>Operating Expenses</u>	
Administrative	\$ 957,338
Dietary	288,992
Housekeeping	126,252
Laundry	118,817
Operation and Maintenance	189,573
Nursing	956,575
Social Service	59,056
Depreciation	53,962
Total Operating Expenses	<u>\$ 2,750,565</u>
Operating Income (Loss)	<u>\$ (83,164)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 321
Other (net)	374
Total Nonoperating Revenues (Expenses)	<u>\$ 695</u>
Net Income (Loss)	<u>\$ (82,469)</u>
Change in Net Position	\$ (82,469)
Net Position, July 1, 2012	<u>484,762</u>
Net Position, June 30, 2013	<u><u>\$ 402,293</u></u>

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

Exhibit D-3

Hardin County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	<u>Major</u> <u>Fund</u> <u>Business-type</u> <u>Activities -</u> <u>Enterprise</u> <u>Fund</u> <u>Park Rest</u> <u>Hardin County</u> <u>Health Center</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Patient Services	\$ 2,694,135
Payments to Suppliers	(904,251)
Payments to Employees	(1,777,015)
Other Operating Cash Receipts	374
Net Cash Provided By (Used In) Operating Activities	<u>\$ 13,243</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	\$ 321
Net Cash Provided By (Used In) Investing Activities	<u>\$ 321</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Equipment	\$ (18,471)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (18,471)</u>
Net Increase (Decrease) in Cash	\$ (4,907)
Cash, July 1, 2012	<u>282,350</u>
Cash, June 30, 2013	<u><u>\$ 277,443</u></u>

(Continued)

Exhibit D-3

Hardin County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	Major Fund
	<u>Business-type Activities - Enterprise Fund</u>
	<u>Park Rest Hardin County Health Center</u>
<u>Reconciliation of Net Operating Income to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (83,164)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	53,962
Changes in Assets and Liabilities:	
Accounts Receivable	(29,495)
Prepaid Items	(3,795)
Accounts Payable	(10,067)
Accrued Management Fee	84,761
Accrued Expenses	667
Other Revenue	374
	<hr/>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 13,243</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 277,443</u>
Cash, June 30, 2013	<u>\$ 277,443</u>

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

Exhibit E

Hardin County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,315,444
Due from Other Governments	467,800
Cash Shortage	<u>15,008</u>
Total Assets	<u>\$ 1,798,252</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 467,800
Due to Litigants, Heirs, and Others	<u>1,330,452</u>
Total Liabilities	<u>\$ 1,798,252</u>

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

HARDIN COUNTY, TENNESSEE
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HARDIN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hardin 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 Hardin County:

A. Reporting Entity

Hardin County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Hardin 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 Hardin County School Department operates the public school system in the county, and the voters of Hardin 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 Hardin County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardin County, and the Hardin 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 Hardin Medical Center is a community medical center providing general and specialized medical services to patients. Included as part of the Hardin Medical Center are the HMC Health and Rehabilitation Center, a 73-bed intermediate and skilled care facility, and the HMC Physician Services, Inc., a physician practice, which provides medical and other health care services. The Hardin County Commission appoints the Hardin Medical Center's

governing body, which also oversees the Hardin County Nursing Home. Hardin County is financially obligated to retire general obligation bonds of the Hardin Medical Center in the event of default by the hospital.

The Hardin County Convention and Visitors Bureau is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote tourism in the county. The Hardin County Commission appoints the Hardin County Convention and Visitors Bureau's governing body and provides a significant amount of the bureau's funding.

The Hardin County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Hardin County Emergency Communications District, Hardin Medical Center, and Hardin County Convention and Visitors Bureau can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Hardin County Emergency Communications District
465 Main Street
Savannah, TN 38372

Hardin Medical Center
935 Wayne Road
Savannah, TN 38372

Hardin County Convention and Visitors Bureau
495 Main Street
Savannah, TN 38372

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hardin 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.

Hardin County issues all debt for the discretely presented Hardin County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

Separate financial statements are provided for governmental funds, proprietary funds (internal service and enterprise), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements of the discretely presented Hardin County School Department, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund 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 proprietary funds and 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 Hardin 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hardin County only reports one proprietary fund, a major enterprise fund, and the discretely presented School Department reports one proprietary fund, an internal service fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds

and the major enterprise fund 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 internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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. Hardin 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 debt service funds 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.

Proprietary funds and 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.

Hardin 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.

Rural Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on school improvement projects for which the City of Savannah contributes a portion of its sales tax.

Hardin County reports the following major enterprise fund:

Park Rest Hardin County Health Center – This fund accounts for the transactions of the county-owned health center.

Additionally, Hardin County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Hardin County. 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 Hardin County School Department reports the following major governmental funds:

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

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

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

Capital Projects Fund – The Education Capital Projects Fund accounts for the receipt of debt issued by Hardin County and contributed to the School Department for building construction and renovation and the acquisition of other major capital assets.

Internal Service Fund – The Employee Insurance Fund is used to account for transactions pertaining to the Hardin County School Department's dental insurance plan.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund (enterprise fund) used to account for a health care center. The discretely presented School Department has one proprietary fund (internal service fund) used to account for a self-insurance dental program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's proprietary fund is charges for services. The principal operating revenue for the discretely presented School Department's internal service fund is self-insurance premiums. Operating expenses include administrative expenses and dental claims.

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

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash in the internal service fund of the discretely presented Hardin County School Department consists entirely of cash on deposit with the county trustee.

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 (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin 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. Hardin 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 outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.35 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 and business-type columns 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 five years. 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 School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Primary Government:	
Buildings and Improvements	25
Other Capital Assets	5 - 10
Infrastructure:	
Roads	10 - 20
Bridges	30
School Department:	
Land Improvements	20
Buildings and Improvements	25
Other Capital Assets	5 - 15

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 no items that qualify for reporting in this category.

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, these items are reported in the government-wide Statement of Net Position and the governmental balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenue, 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 county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. The Hardin County Highway Department allows its employees to accrue no more than five vacation days at year-end, except with special permission from the Highway Commissioner. All vacation leave for the primary government is accrued when incurred in the government-wide statements for the county. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave for employees of Hardin County has no guaranteed payment attached and therefore is not required to be accrued or recorded.

It is the School Department's policy to permit professional employees to accumulate earned but unused sick leave up to an unlimited amount of days and support staff to accumulate earned but unused sick leave up to 120 days. Upon leaving employment, professional employees and support staff receive \$10 per day for unused sick days. The policy permits 12-month support staff to accumulate earned but unused annual and sick leave up to an unlimited amount of days. Upon leaving employment, 12-month support staff is compensated at their daily rate of pay for unused annual and sick leave. All annual and sick leave benefits for the School Department are accrued when incurred in the government-wide statements. A liability for annual and sick leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities (or proprietary fund type) 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, landfill closure/postclosure care costs, 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 and the proprietary funds in the fund 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.

The government-wide Statement of Net Position reports \$3,438,027 of restricted net position, of which \$91,371 is restricted by enabling legislation.

As of June 30, 2013, Hardin County had \$36,713,331 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. This debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardin 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

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement to beginning net position totaling \$1,258,570 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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 Hardin County School Department

Exhibit J-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 Hardin County School Department

Exhibit J-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

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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, and the Education Capital Projects Fund, which adopts project length budgets. 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, Board of Equalization, Beer Board, Other Boards and Committees, 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. Cash Shortage – Current Year

The Office of General Sessions Court Clerk had a cash shortage of at least \$15,008, for the period July 1, 2012, through April 23, 2013. Details of this cash shortage are discussed in the Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Support Services - Health Services and Support Services - Transportation major appropriation categories (the legal level of control) of the discretely presented School Federal Projects Fund by \$167 and \$113, respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hardin County (excluding the Park Rest Hardin County Health Center, enterprise fund) and the Hardin 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, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,913,569	\$ 0	\$ 0	\$ 1,913,569
Construction in Progress	341,778	0	341,778	0
Total Capital Assets Not Depreciated	\$ 2,255,347	\$ 0	\$ 341,778	\$ 1,913,569
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,287,257	\$ 988,709	\$ 0	\$ 16,275,966
Infrastructure	39,119,786	774,197	0	39,893,983
Other Capital Assets	8,798,572	290,673	84,000	9,005,245
Total Capital Assets Depreciated	\$ 63,205,615	\$ 2,053,579	\$ 84,000	\$ 65,175,194
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,422,574	\$ 517,131	\$ 0	\$ 4,939,705
Infrastructure	29,354,208	1,370,464	0	30,724,672
Other Capital Assets	6,625,214	594,925	84,000	7,136,139
Total Accumulated Depreciation	\$ 40,401,996	\$ 2,482,520	\$ 84,000	\$ 42,800,516
Total Capital Assets Depreciated, Net	\$ 22,803,619	\$ (428,941)	\$ 0	\$ 22,374,678
Governmental Activities Capital Assets, Net	<u>\$ 25,058,966</u>	<u>\$ (428,941)</u>	<u>\$ 341,778</u>	<u>\$ 24,288,247</u>

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

Governmental Activities:

General Government	\$ 12,430
Finance	13,677
Administration of Justice	12,978
Public Safety	669,357
Public Health and Welfare	154,416
Social, Cultural, and Recreational Services	96,796
Agriculture and Natural Resources	31,814
Other Operations	13,603
Highways/Public Works	<u>1,477,449</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 2,482,520</u>

Discretely Presented Hardin County School Department**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,149,600	\$ 0	\$ 0	\$ 1,149,600
Total Capital Assets Not Depreciated	<u>\$ 1,149,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,149,600</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 64,209,770	\$ 1,867,877	\$ 0	\$ 66,077,647
Other Capital Assets	4,674,914	98,225	1,337,621	3,435,518
Total Capital Assets Depreciated	<u>\$ 68,884,684</u>	<u>\$ 1,966,102</u>	<u>\$ 1,337,621</u>	<u>\$ 69,513,165</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 22,836,512	\$ 2,261,676	\$ 0	\$ 25,098,188
Other Capital Assets	2,961,141	295,013	1,337,621	1,918,533
Total Accumulated Depreciation	<u>\$ 25,797,653</u>	<u>\$ 2,556,689</u>	<u>\$ 1,337,621</u>	<u>\$ 27,016,721</u>
Total Capital Assets Depreciated, Net	<u>\$ 43,087,031</u>	<u>\$ (590,587)</u>	<u>\$ 0</u>	<u>\$ 42,496,444</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,236,631</u>	<u>\$ (590,587)</u>	<u>\$ 0</u>	<u>\$ 43,646,044</u>

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

Governmental Activities:

Instruction	\$ 1,490,206
Support Services	714,997
Operation of Non-Instructional Services	<u>351,486</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,556,689</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 271
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	8,500
"	School Federal Projects	325,210
Employee Insurance	General Purpose School	561

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.

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component Unit:	
Primary Government:	School Department:	
Rural Debt Service	General Purpose School	\$ 259,557

The amount reflected as due to the primary government from the discretely presented School Department on the government-wide Statement of Net Position also includes a long-term receivable of \$1,752,686 for debt issued by the primary government, the principal of which is being contributed by the

School Department. The amount of the receivable not expected to be received within one year is \$1,646,058.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Transfers Out	Transfers In General Debt Service Fund
General Fund	\$ 607,745
Highway/Public Works Fund	224,309
Total	\$ 832,054

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

Terms of capital lease obligations outstanding at June 30, 2013, were as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate
Fire Trucks	11-21-05	10	\$ 429,882	4.75 %
Fire Trucks	7-31-07	10	495,000	5.38
Fire Truck	6-28-10	10	224,189	5.1
Sheriff Vehicles	11-18-11	2	96,470	6
Sheriff Vehicle	12-7-11	2	34,529	6.49
Energy Management Project	6-20-12	14	1,782,319	3.05

Title to the above-noted assets transfers to Hardin County and the Hardin County School Department at the end of the lease periods. Lease payments are made from the General Fund and by contributions from the School Department to the primary government's Rural Debt Service Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Building Improvements	\$ 1,782,319
Vehicles and Equipment	1,280,070
Less: Accumulated Depreciation	<u>(1,110,552)</u>
 Total Book Value	 <u>\$ 1,951,837</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2014	\$ 352,243
2015	305,957
2016	274,405
2017	251,871
2018	193,100
2019-2023	852,137
2024-2027	<u>556,057</u>
Total Minimum Lease Payments	\$ 2,785,770
Less: Amount Representing Interest	<u>(465,093)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 2,320,677</u>

E. Long-term Obligations

Primary Government

General Obligation Bonds and Notes

Hardin 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. 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 capital outlay notes outstanding were issued for original terms of up to 35 years for bonds and up to seven years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and

notes included in long-term debt as of June 30, 2013, will be retired from the General Debt Service and Rural Debt Service funds.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	2.84 to 4.125 %	6-1-44	\$ 49,600,000	\$ 45,895,000
Capital Outlay Notes	0 to 3.5	9-30-18	2,160,903	989,845
Capital Leases	3.05 to 6.49	11-20-26	3,062,389	2,320,677

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,195,000	\$ 2,315,789	\$ 3,510,789
2015	1,230,000	2,278,610	3,508,610
2016	1,270,000	2,235,129	3,505,129
2017	1,310,000	2,188,177	3,498,177
2018	1,355,000	2,136,801	3,491,801
2019-2023	7,525,000	9,774,796	17,299,796
2024-2028	7,900,000	7,943,842	15,843,842
2029-2033	7,085,000	6,141,778	13,226,778
2034-2038	8,110,000	4,075,995	12,185,995
2039-2043	7,265,000	1,880,938	9,145,938
2044	1,650,000	101,250	1,751,250
Total	\$ 45,895,000	\$ 41,073,105	\$ 86,968,105

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 406,758	\$ 24,071	\$ 430,829
2015	259,758	11,719	271,477
2016	140,558	5,572	146,130
2017	63,558	3,204	66,762
2018	59,608	1,923	61,531
2019	59,605	641	60,246
Total	\$ 989,845	\$ 47,130	\$ 1,036,975

There is \$2,517,941 available in the debt service funds to service long-term debt. Debt per capita, including bonds, notes, and capital leases totaled \$1,891, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-13</u>
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Capital Lease

Payable by School Department Contributions from
the General Purpose School Fund to the Rural Debt
Service Fund

Energy Management Project	\$ 1,752,686
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Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Capital Leases</u>
Balance, July 1, 2012	\$ 47,060,000	\$ 1,439,103	\$ 777,782
Reclassification of School Debt	0	0	1,782,319
Reductions	(1,165,000)	(449,258)	(239,424)
Balance, June 30, 2013	<u>\$ 45,895,000</u>	<u>\$ 989,845</u>	<u>\$ 2,320,677</u>
Balance Due Within One Year	<u>\$ 1,195,000</u>	<u>\$ 406,758</u>	<u>\$ 272,718</u>

	<u>Compensated Absences</u>	<u>Landfill Postclosure Care Costs</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 143,798	\$ 302,367	\$ 166,800
Additions	170,035	5,645	44,590
Reductions	(146,032)	(5,246)	(10,934)
Balance, June 30, 2013	<u>\$ 167,801</u>	<u>\$ 302,766</u>	<u>\$ 200,456</u>
Balance Due Within One Year	<u>\$ 127,503</u>	<u>\$ 5,246</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 49,876,545
Less: Balance Due Within One Year	(2,007,225)
Add: Unamortized Premium on Debt	78,275
Less: Deferred Discount on Debt	<u>(1,910)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 47,945,685</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Hardin County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Hardin County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Capital Leases</u>	<u>Compensated Absences</u>
Balance, July 1, 2012	\$ 1,782,319	\$ 578,403
Additions	0	116,875
Reductions	0	(120,501)
Reclassification of School Debt	<u>(1,782,319)</u>	<u>0</u>
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 574,777</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 246,519</u>

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 3,752,435
Additions	963,624
Reductions	<u>(325,139)</u>
Balance, June 30, 2013	<u>\$ 4,390,920</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 4,965,697
Less: Balance Due Within One Year	<u>(246,519)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,719,178</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School, School Federal Projects, and Central Cafeteria funds. Other postemployment benefits will be paid from the General Purpose School and School Federal Projects funds.

F. On-Behalf Payments - Discretely Presented Hardin County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardin 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, 2013, were \$121,016 and \$37,931, 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

Liability, Property, and Casualty

Hardin 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 exceeding \$100,000 for each insured event.

Workers' Compensation Insurance

Hardin County participates in the Local Government Workers' Compensation Fund (LWCF), a public entity risk pool established under the provisions of

Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the 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.

Employee Health Insurance

Hardin County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *TCA*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF 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. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The discretely presented Hardin County 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.

Employee Health Insurance

The discretely presented Hardin 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.

Employee Dental Insurance

The Hardin County School Department has chosen to establish the Employee Insurance Fund for risks associated with the School Department employees’ dental insurance plan. The Employee Insurance Fund is accounted for as an internal service fund in which assets are set aside for claim settlements. The School Department is responsible for maximum benefits equal to \$1,000 per employee per year. Employees are responsible for any amount beyond the maximum benefit.

All full-time employees of the Hardin County School Department are eligible to participate. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance Fund establishes claims liabilities based on estimates of the ultimate costs of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two years are as follows:

Employee Insurance Fund

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2011-12	\$ 10,593	\$ 228,857	\$ 229,152	\$ 10,298
2012-13	10,298	239,301	241,140	8,459

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Hardin County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Contingent Liabilities

Hardin County is contingently liable for an \$8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the

event of default by the medical center. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2013, \$2,061,000 has been repaid leaving a balance of \$5,939,000. Future principal requirements for the entire loan at June 30, 2013, were \$5,939,000. The loan is repayable at a variable interest rate that is determined by the remarketing agent weekly. At June 30, 2013, the variable interest rate was .35 percent.

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

D. Landfill Postclosure Care Costs

Hardin County and the City of Savannah have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county and city have provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Hardin County and the City of Savannah closed their sanitary landfill in 1998. Hardin County and the City of Savannah each agreed to pay 50 percent of the postclosure costs. The \$302,766 reported as postclosure care liability at June 30, 2013, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Joint Ventures

The Savannah-Hardin County Airport is operated through a joint operations agreement between Hardin County and the City of Savannah. The agreement created a joint board of directors to manage the airport. The board comprises seven members, three of whom are appointed by the Hardin County Commission, three by the City of Savannah, and one member that Hardin County and the City of Savannah alternate appointing. Hardin County has control over budgeting and financing the joint venture only to the extent of its representation by its board members.

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of

the Twenty-fourth Judicial District, Benton, Carroll, Decatur, Hardin, and Henry counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district.

Hardin County does not have an equity interest in the above-noted joint ventures. Complete financial statements for the Savannah-Hardin County Airport and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Savannah-Hardin County Airport
100 Airport Lane
Savannah, TN 38372

Office of District Attorney General
P. O. Box 686
Huntingdon, TN 38344

F. Retirement Commitments

Plan Description

Employees of Hardin 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 Hardin 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.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Hardin County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 10.53 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Hardin County’s annual pension cost of \$818,683 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was four years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$818,683	100%	\$0
6-30-12	743,375	100	0
6-30-11	740,026	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.42 percent funded. The actuarial accrued liability for benefits was \$20.28 million, and the actuarial value of assets was \$18.54 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.74 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.45 million, and the ratio of the UAAL to the covered payroll was 23.35 percent.

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 values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

The Hardin County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing 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 to plan members and their beneficiaries. 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 who are at least 55 years of age or have 25 years of service. 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 plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are 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. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson

Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were \$1,260,065, \$1,317,805, and \$1,323,942, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Hardin County and the Hardin County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, 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 (PPO) 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 plans are 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 employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to 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 both professional and support employees who

retire with at least 30 years of creditable service with the Tennessee Consolidated Retirement System, and have had uninterrupted employment with the School Department for the last 20 years. Currently, 42 professional and three support retirees are participating in the 2012-2013 fiscal year. The School Department contributes between 55-58 percent toward the individual premium for each eligible professional employee, and 100 percent toward the individual premium of each eligible support employee. The School Department pays this calculated amount directly to the State Insurance Plan for each eligible retiree monthly to pay the health insurance premium until the retiree reaches Medicare eligibility or is deceased. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2013, Hardin County and the discretely presented Hardin County School Department contributed \$10,934 and \$325,139, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 966,000	\$ 45,000
Interest on the NOPEBO	38,640	6,672
Adjustment to the ARC	(41,016)	(7,082)
Annual OPEB cost	\$ 963,624	\$ 44,590
Less: Amount of contribution	(325,139)	(10,934)
Increase/decrease in NOPEBO	\$ 638,485	\$ 33,656
Net OPEB obligation, 7-1-12	3,752,435	166,800
Net OPEB obligation, 6-30-13	\$ 4,390,920	\$ 200,456

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 1,141,706	28%	\$ 3,118,818
6-30-12	"	953,649	34	3,752,435
6-30-13	"	963,624	34	4,390,920
6-30-11	Local Government Group	68,192	28	129,602
6-30-12	"	44,681	17	166,800
6-30-13	"	44,590	25	200,456

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 7,902,000	\$ 286,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 7,902,000	\$ 286,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 16,509,927	\$ 4,822,687
UAAL as a % of covered payroll	48%	6%

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, 2011, actuarial valuation for the Local Education Group and the Local Government Group plans, 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 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include 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)*. This act provides for all purchases exceeding \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Commissioner

Chapter 62, Private Acts of 1997, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Hardin 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.

VI. OTHER NOTES – PARK REST HARDIN COUNTY HEALTH CENTER (ENTERPRISE FUND)

A. General Information

1. General

The Park Rest Hardin County Health Center (Park Rest) is a 62-bed intermediate care facility owned by Hardin County, Tennessee. Park Rest is located in Savannah, Tennessee, and began operations in 1986. Park Rest provides health care and services primarily to individuals in the Hardin County, Tennessee, area who do not require the degree of care and treatment a hospital or skilled nursing facility is designed to provide, but who, because of their mental or physical condition, require care and services, which can be made available to them through institutional facilities.

2. Reporting Entity

Park Rest is a department of Hardin County, Tennessee. Park Rest is not a legally separate entity but the Hardin County Commission is responsible for appointing each member of the nursing home

committee, which oversees Park Rest's operations. In addition, the nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The accounts of Park Rest are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Park Rest's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded 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.

3. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Inventory

Inventory is valued at the lower of cost (FIFO) or market and consists entirely of supplies.

Capital Assets

All capital assets of Park Rest are recorded at historical cost, except for donated equipment, which is recorded at fair market value. Expenses, which materially increase values or capacities or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

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. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2013.

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. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

Sometimes Park Rest will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Park Rest's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

In Park Rest's 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.

C. Related-party Transactions

During the year, Hardin Home (an independent nursing home facility owned by the manager of Park Rest) provided Park Rest with laundry services. The charges for the laundry services approximated Hardin Home's actual costs of providing the services. The total laundry charges for the year were \$118,817.

Park Rest prepared meals for residents of Hardin Home. The charges for the meals approximated Park Rest's actual costs of providing the meals. The dietary charges for the year totaled \$182,502.

Some employees work for both facilities, and each facility is responsible for its share of applicable payroll expenses.

Hardin County has contracted with the owner of Hardin Home to manage Park Rest. The management fee is seven percent of the gross revenues received by the facility from all sources and equaled \$192,217 in 2013.

Park Rest is responsible to pay the county a monthly administrative fee equal to one percent of gross revenues. For 2013, that fee totaled \$27,460.

D. Risk Management

Park Rest is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees' bonds, personal and professional liability, and property destruction. There have been no significant reductions in insurance coverage. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

E. Custodial Credit Risk – Deposits

Park Rest's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. Park Rest does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions.

As of June 30, 2013, Park Rest's deposits were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

F. Concentration of Credit Risk

Approximately 94 percent of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State of Tennessee. Approximately 87 percent of the accounts receivable balance at June 30, 2013, was due from the State of Tennessee under the Medicaid program.

G. Compensated Absences

Each employee earns one week of vacation after one year of employment and two weeks of vacation after ten years of employment. An employee is paid for accrued vacation only if the employee is laid off. Unused accrued vacation is forfeited by the employee at the end of each calendar year.

H. Trust Funds

Trust funds, as used in the Statement of Net Position, represent patients' funds held by the nursing home in trust for patients and can only be used upon the patients' approval.

I. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700
Capital Assets Depreciated:			
Building and Improvements	\$ 1,148,001	\$ 0	\$ 1,148,001
Furniture and Fixtures	85,517	0	85,517
Equipment	341,769	18,471	360,240
Total Capital Assets Depreciated	\$ 1,575,287	\$ 18,471	\$ 1,593,758
Less Accumulated Depreciation For:			
Building and Improvements	\$ (768,955)	\$ (28,456)	\$ (797,411)
Furniture and Fixtures	(57,227)	(3,630)	(60,857)
Equipment	(288,326)	(21,876)	(310,202)
Total Accumulated Depreciation	\$ (1,114,508)	\$ (53,962)	\$ (1,168,470)

Capital Assets (Cont.)	Balance 7-1-12	Increases	Balance 6-30-13
Total Capital Assets Depreciated, Net	\$ 460,779	\$ (53,962)	\$ 425,288
Total Capital Assets, Net	\$ 487,479	\$ (35,491)	\$ 451,988

Fully depreciated assets at June 30, 2013, totaled \$369,665.

J. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Park Rest early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Net Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. Nature of Operations

Hardin Medical Center (HMC) is a community medical center located in Savannah, Tennessee, providing general and specialized medical services to patients. The Hardin County Commission is responsible for appointing each member of the medical center's Board of Commissioners. Included as part of the Hardin Medical Center are the HMC Health and Rehabilitation Center (HMCHRC), which is an intermediate and skilled-care facility, and the HMC Physician Services, Inc., a physician practice, which provides medical and other health care services.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The medical center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 makes the GASB *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. GASB Statements No. 62 and No. 63 were effective for periods beginning after December 15, 2011.

2. Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at date of purchase of less than three months.

Cash and cash equivalents include cash on hand and certificates of deposit with original maturities of less than three months with financial institutions. Investments consist of certificates of deposit with original maturities of greater than three months. Those investments with original maturities greater than three months but less than one year are classified as short-term investments, while the remaining amount is classified as long-term. All of the medical center's cash and cash equivalents and investments are insured or collateralized by securities held by the financial institutions' trust department in the medical center's name.

At June 30, 2013, the total carrying value of the medical center's cash, cash equivalents, and investments was \$11,652,374, and the bank balance was \$11,657,742. The entire financial institution balance was covered by federal depository insurance or by collateral held by the trustee in the medical center's name.

3. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value.)

4. Patient Accounts Receivable

The medical center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The medical center provides an allowance for uncollectible accounts based on a review of outstanding receivables, historical collection information, and existing economic conditions.

5. Fair Value Measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2), and the reporting entity's own assumptions about market participant

assumptions (Level 3). The medical center had \$3,682,223 as of June 30, 2013, in certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2013.

6. Property and Equipment

Property and equipment acquisitions are recorded at cost. The medical center capitalizes purchases that cost a minimum of \$5,000 and have a useful life greater than one year. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-30 years; buildings and improvements 5-50 years; equipment 3-20 years; and furniture and fixtures 5-30 years. Assets under capital lease obligations are included in property and equipment and the related amortization and accumulated amortization are included in depreciation and amortization expense and accumulated depreciation and amortization, respectively.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

7. Physician Guarantees

The medical center has entered into agreements with local physicians whereby it will guarantee monthly income, subject to stated maximums. The loans are to be forgiven if the physicians maintain a practice in the area for specified terms. At June 30, 2013, physician guarantees totaled \$194,835 and are included in other assets within the Statement of Net Position.

8. Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately \$68 million for the year ended June 30, 2013. Approximately

31 percent of net patient service revenue was from Medicare for the year ended June 30, 2013. Approximately 16 percent of net patient service revenue was from Medicaid/TennCare for the year ended June 30, 2013.

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The costs of providing charity care are estimated based on the ratio of total costs to gross charges and amounted to approximately \$1 million for the year ended June 30, 2013.

9. Operating Activities

The medical center defines operating activities as reported in the Consolidated Statements of Revenue, Expenses, and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Non-exchange transactions, including contributions and grants, as well as interest income and interest expense, are considered nonoperating revenues and expenses.

10. Employee Benefit Plans

Medical center employees are covered under the Tennessee Consolidated Retirement System, a defined benefit plan, or a 403(b) defined contribution plan. The medical center's costs are charged to expense and funded annually.

11. Compensated Absences

The medical center provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The qualifying date for receiving annual vacation is the employees' full-time anniversary date and is based on the table below. Such days may be taken only after the employee has earned them. All earned days must be taken within 24 months from the anniversary date earned. Such liabilities have been accrued in the accompanying Statement of Net Position.

<u>Years of Service</u>	<u>Days Earned Per Year</u>
1-7	10
8-15	15
16 or more	20

Employees accrue sick days upon their three-month anniversary date and accrue one sick day per month thereafter. No payment is made for accumulated sick leave when an employee terminates employment.

12. Risk Management

The medical center is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance is purchased for claims arising from such matters. The medical center is self-insured for employee health and workers' compensation claims and judgments as discussed in Note VII.I.(2).

13. Net Position

The medical center's net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted net position is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the medical center, including amounts related to the county's contributions and bond indebtedness restricted for specific purposes. The unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. The medical center first applies restricted resources when an expense is incurred for purposes for which, both restricted and unrestricted net position are available. As of June 30, 2013, there was no permanently or temporarily restricted net position.

14. Income Taxes

The medical center is a not-for-profit corporation as described in Chapter 176 of the Private Acts and is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

15. Performance Indicator

Excess of revenue over expenses (expenses over revenue) reflected in the accompanying Statements of Revenue, Expenses, and Changes in Net Position is a performance indicator.

16. Adoption of New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements*

No. 14 and No. 34). This statement amends the reporting standards for reporting component units in a government's financial statements. The statement requires inclusion of a component unit if a financial benefit or burden is present or if the financial statements would be misleading if excluded. This accounting standard was effective for financial statements for fiscal years beginning after June 15, 2012. Therefore, the medical center adopted this accounting standard at the beginning of fiscal year 2013. The adoption of this accounting standard did not have a material impact on the medical center's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement amends accounting standards relating to the application of Financial Accounting Standards Board Statements that do not contradict GASB pronouncements and incorporates into the GASB authoritative literature certain accounting and financial reporting guidance to bring all authoritative literature together in one place. This accounting standard was effective for financial statements for fiscal years beginning after December 15, 2011. Therefore, the medical center adopted this accounting standard at the beginning of fiscal year 2013. The adoption of this accounting standard did not have a material impact on the medical center's financial statements.

In June 2011, the GASB issued Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a Statement of Net Position. This accounting standard was effective for financial statements for fiscal years beginning after December 15, 2011. Therefore, the medical center adopted this accounting standard at the beginning of fiscal year 2013. The adoption of this accounting standard did not have a material impact on the medical center's financial statements.

17. New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities and is effective for financial statements for fiscal years beginning after December 15, 2012. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This statement establishes standards to clarify accounting for operating lease payments that vary from a straight-line basis and how to apply GASB Statement No. 13. These amendments are effective for financial statements for fiscal years beginning after December 15, 2012. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2015.

In March 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and is effective for financial statements for fiscal years beginning after June 15, 2013. Therefore, the medical center expects to adopt these standards at the beginning of fiscal year 2014.

The medical center is currently assessing the impact of adopting these accounting standards.

18. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. Events Occurring after Reporting Date

The medical center has evaluated events and transactions that occurred between June 30, 2013, and December 3, 2013, which is the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

C. Third-party Reimbursement Programs

The medical center receives revenue under various third-party reimbursement programs, which include Medicare, Medicaid, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to patient service revenue of approximately \$11,000 for the year ended June 30, 2013.

1. Medicare

The medical center is paid for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center is paid for outpatient and emergency medical services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories based on standard procedure codes for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

2. Medicaid

The Medicaid program reimburses HMCHRC for the cost of services rendered to Medicaid beneficiaries at a prospective rate, which is based on the lower of the reimbursable cost of services rendered or a reimbursement cap set by Medicaid. The reimbursement cap is expressed as a per diem.

3. TennCare

The State of Tennessee TennCare program is a managed care program, which provides healthcare coverage to those previously eligible for Medicaid as well as the uninsured population. The medical center contracts with various managed care organizations (MCO's),

which offer both Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) healthcare products. Reimbursement to the medical center is received through per diems, Diagnosis-Related Group (DRG) payments and discounted fees for service.

4. **Commercial Payors**

The medical center has entered into payment agreements with certain commercial insurance carriers, HMO's, and PPO's. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge and discounts from established rates.

5. **Credit Concentration**

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2013, the medical center had net receivables from the federal government (Medicare) of approximately \$1,692,000, and from Medicaid/TennCare of approximately \$535,000.

6. **Meaningful Use Payments from Medicare and Medicaid**

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningful use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital that is able to meet the meaningful use criteria, must attest that during the EHR reporting period, the hospital used certified EHR technology and must specify the technology used satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The medical center met meaningful use criteria during 2013. As a result, the medical center recognized income of \$175,595 and \$663,638

from Medicaid and Medicare, respectively, in 2013. The medical center has a receivable of \$839,233 from Medicare and Medicaid related to the meaningful use incentive as of June 30, 2013. The Medicare funds were received in November 2013, and the Medicaid funds are expected to be received in fiscal year 2014. The income is reported as other revenue on the accompanying Statement of Revenue, Expenses, and Changes in Net Position.

D. Inventories

A summary of inventories as of June 30, 2013, is as follows:

Pharmacy	\$ 411,256
Dietary	14,441
Departmental	<u>888,808</u>
 Total	 <u><u>\$ 1,314,505</u></u>

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2013, are as follows:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 274,533	\$ 0	\$ 0	\$ 274,533
Construction in Progress	0	282,286	102,152	180,134
Total Capital Assets Not Depreciated	<u>\$ 274,533</u>	<u>\$ 282,286</u>	<u>\$ 102,152</u>	<u>\$ 454,667</u>
Capital Assets Depreciated:				
Land Improvements	\$ 202,147	\$ 0	\$ 0	\$ 202,147
Buildings	18,386,209	1,011,639	0	19,397,848
Equipment	9,001,762	534,498	0	9,536,260
Furniture and Fixtures	277,119	46,989	0	324,108
Assets Under Capital Lease	1,370,842	0	0	1,370,842
Total Capital Assets Depreciated	<u>\$ 29,238,079</u>	<u>\$ 1,593,126</u>	<u>\$ 0</u>	<u>\$ 30,831,205</u>

Capital Assets (Cont.)	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Less Accumulated				
Depreciation For:				
Land Improvements	\$ 195,039	\$ 2,692	\$ 0	\$ 197,731
Buildings	5,380,343	708,139	0	6,088,482
Equipment	6,228,193	675,081	0	6,903,274
Furniture and Fixtures	164,287	18,732	0	183,019
Assets Under Capital Lease	1,232,013	123,828	0	1,355,841
Total Accumulated				
Depreciation	\$ 13,199,875	\$ 1,528,472	\$ 0	\$ 14,728,347
Total Capital Assets				
Depreciated, Net	\$ 16,038,204	\$ 64,654	\$ 0	\$ 16,102,858
Total Capital Assets, Net	\$ 16,312,737	\$ 346,940	\$ 102,152	\$ 16,557,525

No interest costs were capitalized during the year ended June 30, 2013.

F. Ambulance Service

Hardin County paid the construction cost of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the medical center is responsible for operating the Ambulance Service. Expenditures by the county since the medical center began operating the ambulance service in 1997 amounted to \$1,438,963 at June 30, 2013. This amount is not reflected within property and equipment in the accompanying consolidated financial statements. In addition, the county provides an annual subsidy to defray costs incurred in operating the Ambulance Service. For the year ended June 30, 2013, the annual subsidy was \$100,000, which is reflected within other nonoperating revenues on the accompanying consolidated Statement of Revenue, Expenses, and Changes in Net Position. This annual allocation is in addition to the cumulative expenditures mentioned above.

G. Long-term Debt and Capital Lease Obligations

The major types and changes in the medical center's long-term debt and capital lease obligations as of and for the year ended June 30, 2013, is as follows:

	Balance 7-1-12	Reductions	Balance 6-30-13	Due Within One Year
Tennessee Valley - Electric Cooperative Series 2007	\$ 137,500	\$ 30,000	\$ 107,500	\$ 30,000
Tennessee Valley - Electric Cooperative Series 2010	678,332	82,224	596,108	82,224
Public Building Authority of the County of Montgomery - Series 2003	6,178,000	239,000	5,939,000	246,000
Capital Lease Obligations	2,351,084	339,291	2,011,793	140,191
Total	\$ 9,344,916	\$ 690,515	\$ 8,654,401	\$ 498,415

During January 2007, the medical center borrowed \$300,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance new computer software. The note bears no interest, and principal is to be repaid in monthly installments of \$2,500 through January 2017. Security is a certificate of deposit and an irrevocable standby letter of credit.

During July 2010, the medical center borrowed an additional \$740,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance construction on the cancer treatment center. The note bears no interest, and principal is to be repaid in monthly installments of \$6,852 through September 2020. Security is a certificate of deposit and an irrevocable standby letter of credit.

During July 2003, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, (building authority) whereby, the building authority loaned the medical center \$8 million for improvements to the medical center. The loan agreement bears interest at an adjustable rate (.35 percent as of June 30, 2013), and is due May 25, 2031. The adjustable interest rate is adjusted weekly as determined by the remarketing agent. The loan is guaranteed by Hardin County.

Pursuant to the agreements for the building authority loans, if the principal of all bonds issued under such loans are accelerated, and the bonds are paid by the remarketing agent, the repayment schedule applicable to such loans shall be recalculated over a term of 60 months from the date of such acceleration. The interest rate on the loan amounts after such acceleration shall adjust to the prime rate as defined in the agreements.

The medical center has entered into capital lease agreements to finance the acquisition of certain equipment.

The medical center's obligation under these capital lease agreements is as follows at June 30, 2013:

Minimum lease payments payable	\$	2,338,091
Less: portion representing interest		<u>(326,298)</u>
Capital lease obligations	\$	2,011,793
Less: current portion		<u>(140,191)</u>
Long-term portion	<u>\$</u>	<u>1,871,602</u>

A summary of approximate future maturities and interest of long-term debt and capital lease obligations as of June 30, 2013, is as follows:

Year Ending June 30	Principal	Estimated Interest	Total Payments
2014	\$ 498,415	\$ 69,000	\$ 567,415
2015	511,000	65,000	576,000
2016	523,000	60,000	583,000
2017	523,000	55,000	578,000
2018	518,000	51,000	569,000
2019-2023	2,572,000	178,000	2,750,000
2024-2028	2,272,000	41,000	2,313,000
2029-2032	1,236,986	9,000	1,245,986
Total	<u>\$ 8,654,401</u>	<u>\$ 528,000</u>	<u>\$ 9,182,401</u>

Approximate future minimum annual lease payments payable under the capital lease agreements as of June 30, 2013, are as follows:

Year Ending June 30		
2014	\$	188,000
2015		188,000
2016		188,000
2017		188,000
2018		188,000
2019 and later		<u>1,398,091</u>
Total minimum lease payments	\$	2,338,091
Less: amount representing interest		<u>(326,298)</u>
Present value of minimum lease payments under capital leases	\$	2,011,793
Less: current portion		<u>(140,191)</u>
Capital lease obligations, excluding current portion	<u>\$</u>	<u>1,871,602</u>

H. Employee Benefit Plans

1. TCRS Pension Plan

Employees of the medical center 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 the medical center 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.

The medical center withdrew from TCRS effective July 1, 2008, because the entity was no longer eligible to participate in TCRS. Employees at that date of withdrawal will not accrue salary or service credit in TCRS after the date of withdrawal. The employer will continue to be responsible for the pension liability related to the affected employees and retirees for service accrued up to the date of withdrawal.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

The medical center has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

The medical center is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2013, was 8.24 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the medical center are established and may be amended by the TCRS Board of Trustees.

Annual Cost

For the year ended June 30, 2013, the medical center's annual pension cost of \$339,869 to TCRS was equal to its annual required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The medical center's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period as of July 1, 2011, was 12 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$339,869	100%	\$0
6-30-12	386,962	100	0
6-30-11	396,877	100	0

As of July 1, 2011, the most recent actuarial valuation date, the plan was 85.7 percent funded. The actuarial accrued liability for benefits was \$30.92 million, and the actuarial value of assets was \$26.5 million, resulting in unfunded actuarial accrual liability (UAAL) of \$4.42 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.61 million, and the ratio of the UAAL to the covered payroll was 95.89 percent.

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 values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Deferred Contribution Plan

During July 2008, the medical center began providing a 403(b) plan, which covers full-time employees who choose not to participate, or are not allowed to participate, in the defined benefit pension plan described above. The medical center contributes three percent of compensation plus it will match half of each employee's contribution (up to an additional three percent). The total retirement plan expense associated with this plan for the year ended June 30, 2013, was \$510,798.

I. Commitments and Contingencies

1. Operating Commitments

The medical center leases various equipment and space under operating lease agreements. Rent expense was \$270,645 in 2013. The medical center does not have any material future minimum payments as a majority of the leases are on month-to-month terms. It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2013.

The medical center generates rental income primarily from operating leases of medical office buildings and houses. Rental income was \$201,721 in 2013, and is included in other operating revenue. Lease terms are yearly or month-to-month.

2. Insurance

The medical center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are \$1,000,000 individually and \$3,000,000 in the aggregate annually. Management intends to maintain such coverages in the future. The medical center is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims. Management is unaware of any incidents, which would ultimately result in a loss in excess of the medical center's insurance coverages.

The medical center is self-insured for a portion of employee medical and other healthcare benefits and workers' compensation claims. The

risk of loss retained by the medical center is limited to \$80,000 per year for each employee's medical claims. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured plan. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Reserves included within accrued expenses on the accompanying balance sheet, related to employee medical and other healthcare benefits, amounted to \$192,772 in 2013.

3. Healthcare Industry

The delivery of personal health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The medical center is insured with respect to medical malpractice risk on a claims-made basis. The medical center also maintains insurance for general liability, director and officer liability, and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the medical center indemnifies certain officers and directors for actions taken on behalf of the medical center. Management is not aware of any claims against the medical center, which would have a material financial impact.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the medical center is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. During fiscal year 2013, management became aware of certain compliance matters related to the medical center. These matters were addressed and a reserve of \$190,000 is included within accrued expenses on the accompanying balance sheet at June 30, 2013.

Management continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The

medical center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare and Medicaid payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits, and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare and Medicaid billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. At June 30, 2013, the medical center recorded a reserve for potential recoveries. The reserve of \$185,674 is included within accrued expenses on the accompanying balance sheet at June 30, 2013. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

4. Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the medical center's operations.

VIII. OTHER NOTES – DISCRETELY PRESENTED HARDIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. General Information

Hardin County Emergency Communications District provides 911 emergency assistance to persons living in Hardin County. The district is a component unit of Hardin County. Accordingly, this financial data is incorporated into

the county's financial statements. Board members are appointed by the county mayor. Additionally, any bonded indebtedness by the district is subject to the approval of the Hardin County Commission. Hardin County and the cities of Savannah, Saltillo, and Crump are billed for dispatching services (these revenues provide funding for the dispatchers' salaries).

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Fund:

Enterprise Fund – The Hardin County Emergency Communications District Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded 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.

3. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, include demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include telephone wireless fees due from phone companies, dispatching revenue due from the county and the city, wireless charges due from the State of Tennessee, and grant receivables due from the Tennessee Emergency Communications Board.

Restricted Assets

Certain resources set aside for bond repayment are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants.

Bond Discounts

Bond discounts are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment, which is recorded at fair market value. Expenses, which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives.

Vacation Leave

Vacation leave time for employees of the district is earned each pay period. Vacation time can be carried over from one year to the next. Any outstanding balance is paid to the employee upon separation from service.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

Long-term debt

All long-term debt to be repaid is reported as liabilities in the Statement of Net Position. The long-term debt consists primarily of revenue bonds and unamortized premiums and discounts.

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 district does not have any items that qualify for reporting in this category as of June 30, 2013.

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 district does not have any items that qualify for reporting in this category as of June 30, 2013.

Net Position Flow Assumption

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

It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

In the district's 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.

C. Revenues

Revenues are derived from telephone customers in the area served by the district. Telephone companies and the Tennessee Emergency Communications Board collect the fees on the monthly telephone bills and remit them to the district.

D. Risk Management

It is the policy of the district to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

E. Contract Agreement

In 1992, the district entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed in 2009, that the district would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with

statutory requirements. The city and county have agreed to remit funds to the district to cover various operating expenses in exchange for dispatching services provided by the district. This year the city and county remitted \$451,095 to the district.

F. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

<u>Capital Assets</u>	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 127,150	\$ 0	\$ 127,150
Total Capital Assets Not Depreciated	<u>\$ 127,150</u>	<u>\$ 0</u>	<u>\$ 127,150</u>
Capital Assets Depreciated:			
Building Improvements	\$ 30,561	\$ 0	\$ 30,561
Buildings	1,238,920	0	1,238,920
Equipment - Capital Lease	692,335	0	692,335
Equipment and Software	370,277	0	370,277
Furniture and Fixtures	44,662	0	44,662
Vehicles	25,196	25,259	50,455
Maps	237,788	0	237,788
Total Capital Assets Depreciated	<u>\$ 2,639,739</u>	<u>\$ 25,259</u>	<u>\$ 2,664,998</u>
Less Accumulated Depreciation For:			
Building Improvements	\$ 4,505	\$ 1,019	\$ 5,524
Buildings	37,929	31,655	69,584
Equipment - Capital Lease	375,690	35,330	411,020
Equipment and Software	269,228	12,123	281,351
Furniture and Fixtures	4,838	4,466	9,304
Vehicles	25,196	2,947	28,143
Maps	157,524	17,959	175,483
Total Accumulated Depreciation	<u>\$ 874,910</u>	<u>\$ 105,499</u>	<u>\$ 980,409</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,764,829</u>	<u>\$ (80,240)</u>	<u>\$ 1,684,589</u>
Total Capital Assets, Net	<u>\$ 1,891,979</u>	<u>\$ (80,240)</u>	<u>\$ 1,811,739</u>

Depreciation expense of \$105,499 was recorded by the district.

In addition to the above capital purchases, additional small equipment purchases (\$55,760) were made in the current year. These were purchases below the district's capitalization threshold (\$5,000).

G. Pension Plan

Plan Description

Employees of the district 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 the district 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.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 4.81 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the district's annual pension cost of \$13,176 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include

(a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 18 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$ 13,176	100%	\$ 0
6-30-12	25,676	100	0
6-30-11	26,225	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 71.85 percent funded. The actuarial accrued liability (AAL) for benefits was \$.19 million, and the actuarial value of assets was \$.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.31 million, and the ratio of the UAAL to the covered payroll was 17.1 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

H. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the district is subject to various federal, state, and local laws and contractual regulations. An analysis of the district's compliance with significant laws and regulations and demonstration of its stewardship over the district resources follows:

1. Deposits and Investments

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2013, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, district deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2013, \$120,956 of the district's deposits were exposed to custodial credit risk due to being uninsured and uncollateralized.

2. Budget Appropriations

In accordance with state law, the board of the district must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The district's expenses were within appropriations at the line-item level.

I. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Long-term Debt

Long-term debt consists of Emergency Communications District Revenue Bonds, Series 2010, dated October 5, 2010, through June 30, 2040, with interest rates varying from 1.75 percent to 4.25 percent.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance 7-1-12	Payments or Retirements	Balance 6-30-13	Due Within One Year
Revenue Bonds	\$ 1,250,000	\$ 30,000	\$ 1,220,000	\$ 30,000
Unamortized Debt				
Discounts	(8,639)	307	(8,332)	0
Total	<u>\$ 1,241,361</u>	<u>\$ 30,307</u>	<u>\$ 1,211,668</u>	<u>\$ 30,000</u>

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2013, are as follows:

Year Ending June 30	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2014	\$ 30,000	\$ 44,881	\$ 74,881
2015	30,000	44,356	74,356
2016	30,000	43,831	73,831
2017	30,000	43,006	73,006
2018	30,000	42,181	72,181
2019-2023	175,000	196,369	371,369
2024-2028	205,000	165,856	370,856
2029-2033	245,000	124,838	369,838
2034-2038	300,000	69,694	369,694
2039-2040	145,000	9,350	154,350
Total	<u>\$ 1,220,000</u>	<u>\$ 784,362</u>	<u>\$ 2,004,362</u>

K. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting*

Deferred Outflows, Deferred Inflows and Net Position became effective for the year ended June 30, 2013. The district early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Net Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

L. Restatement

Due to implementation of GASB Statement No. 65, a restatement was made to remove bond issue costs that had previously been recorded as an asset and amortized annually over the life of the corresponding debt issue.

IX. OTHER NOTES – DISCRETELY PRESENTED HARDIN COUNTY CONVENTION AND VISITORS BUREAU

A. Summary of Significant Accounting Policies

1. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Hardin County Convention and Visitors Bureau (HCCVB).

2. Reporting Entity

HCCVB is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote the tourism aspect of Hardin County, Tennessee. HCCVB is a component unit of Hardin County since (1) the majority of board members are appointed by the County Commission and (2) it receives a significant portion of its funding from Hardin County. Accordingly, this financial data is incorporated into the county's financial statements.

3. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. HCCVB has no business-type activities.

4. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The government reports the following major governmental fund: The General Fund is HCCVB's primary operating fund. It accounts for all financial resources of the general government. HCCVB has no nonmajor or proprietary funds.

5. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Hotel/motel taxes and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

6. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. HCCVB adopts its budget in accordance with the state's legal requirement, which is the level of classification detail at which expenditures may not legally exceed appropriations.

HCCVB follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 1, the CEO submits to the Board of Directors and Hardin County a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

- b. The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.
- c. Prior to July 1, the budget is legally adopted by the Board of Directors and approved by Hardin County through adoption of the appropriation ordinance upon two readings.
- d. The CEO is responsible for controlling expenditures of the various agencies of the government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

Budgeted amounts of the revenues and expenditures presented for the General Fund are shown as originally adopted and after final amendments by the Board of Directors. The legal level of budgetary control is at the line-item level. Budget revisions that reallocate dollars between line-items or that alter the total budget amount require board member's approval. Unexpended operating appropriations lapse at the end of the year. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the fund is presented as a fund financial statement.

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

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand and demand accounts.

Inventories and Prepaid Expenses

Inventories of office materials and supplies of all funds of HCCVB were deemed to be immaterial and were not inventoried or reflected in the records. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are reported at cost (except for donated property, which is reported at fair value as of the date of donation) and includes improvements that significantly add to utility or extend useful lives. Costs for maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings for the period. Depreciation is computed using

the straight-line method to allocate the cost of furniture and equipment over an estimated useful life of five years.

Deferred Outflows/Inflows of Revenues

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. HCCVB had no items that qualify for reporting in this category.

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 and so will not be recognized as an inflow of resources (revenue) until that time. HCCVB had no items that qualify for reporting in this category.

Net Position Flow Assumption

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

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.
- 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.

8. **Revenues and Expenditures/Expenses**

Program Revenues

Amounts reported as 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 or segment and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental fund expenditures are classified by character such as current (further classified by function), capital outlay, and debt service. In the fund financial statements, governmental funds report expenditures of financial resources.

B. Stewardship, Compliance, and Accountability

By its nature as a local government component unit, HCCVB is subject to various federal, state, and local laws, and contractual regulations. An analysis of HCCVB's compliance with significant laws and regulations and demonstration of its stewardship over its resources follows:

1. **Deposits and Investments – Laws and Regulations**

In accordance with state law, all uninsured deposits of county funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to HCCVB must have a written collateral agreement approved by the board of directors or loan committee. HCCVB has no policy regarding custodial credit risk for deposits.

HCCVB's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its subdivisions. HCCVB has no policy that further limits allowable investments.

2. Deficit Fund Balance Prohibition

The State of Tennessee discourages the creation of a deficit fund balance in any individual fund. HCCVB's General Fund had a positive fund balance at year end.

3. Budget Appropriations

Tennessee statutes prohibit expenses in excess of budget appropriations. Expenses exceeded budget appropriations for the year at the line-item and fund levels.

C. Detailed Notes on all Activities and Funds

1. Cash Deposits with Financial Institutions

Custodial credit risk deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. HCCVB's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

2. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable have been deemed unnecessary based upon historical trends. The major receivable balance for the governmental activities include hotel/motel tax receivable due from the county and other governments.

3. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Depreciated:			
Furniture and Equipment	\$ 4,215	\$ 0	\$ 4,215
Total Capital Assets Depreciated	<u>\$ 4,215</u>	<u>\$ 0</u>	<u>\$ 4,215</u>
Less Accumulated Depreciation For:			
Furniture and Equipment	\$ (3,662)	\$ (175)	\$ (3,837)
Total Accumulated Depreciation	<u>\$ (3,662)</u>	<u>\$ (175)</u>	<u>\$ (3,837)</u>
 Total Capital Assets Depreciated, Net	 <u>\$ 553</u>	 <u>\$ (175)</u>	 <u>\$ 378</u>
Total Capital Assets, Net	<u>\$ 553</u>	<u>\$ (175)</u>	<u>\$ 378</u>

There were no decreases in capital assets during the year, and depreciation expense of \$175 was charged to the general government.

4. Risk Management

It is the policy of HCCVB to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

5. Fund Balance Reporting

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 resources that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of the other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal ordinance of the Board of Directors (HCCVB'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 HCCVB's intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors makes assignments.

Unassigned fund balance - the residual classification for HCCVB's General Fund. 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 HCCVB's General Fund or state street aid funds.

D. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Tax Exemption

HCCVB has a determination letter from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

F. Concentration of Credit Risk

HCCVB receives approximately 79 percent of operating revenues from hotel and motel sales tax collections by Hardin County.

G. Donated Services

Accounting services were provided at no charge to HCCVB by a local accounting firm. An estimated fair value of \$3,600 for services rendered is reflected in the Statement of Revenues, Expenses, and Changes in Net Position as both revenue and an expense.

H. Related Parties

HCCVB is represented on the Board of Directors of Team Hardin County, Inc. (THC), another nonprofit organization that is involved in the promotion of Hardin County. At year end, THC owed HCCVB \$70,649 due to HCCVB transactions flowing through THC in prior years.

At year end, THC – NAIA, another related-party nonprofit, owed HCCVB \$18,599 due to HCCVB paying NAIA expenses during prior years.

I. Retirement Plan

HCCVB is a participant in a non-contributory defined contribution money purchase pension plan, which covers all full-time employees. HCCVB's contribution rate is five percent of base compensation. The total retirement plan expense for the year was \$545.

J. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)* and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. HCCVB early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Net Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hardin County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 18,541	\$ 20,281	\$ 1,740	91.42	% \$ 7,451	23.35 %
7-1-09	14,476	15,761	1,285	91.85	6,905	18.61
7-1-07	13,127	14,523	1,396	90.39	5,865	23.80

Exhibit F-2

Hardin County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Hardin County Medical Center and
Discretely Presented Hardin County Emergency Communications District
June 30, 2013

(Dollar amounts in thousands)

Component Units	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Medical Center	7-1-11	\$ 26,501	\$ 30,925	\$ 4,424	85.7	\$ 4,613	95.89
"	7-1-09	22,816	28,642	5,827	79.66	4,783	121.81
"	7-1-07	22,524	23,597	1,073	95.45	9,564	11.22
Emergency Communications District	7-1-11	137	190	54	71.85	313	17.1
"	7-1-09	0	0	0	0	0	0
"	7-1-07	0	0	0	0	0	0

Exhibit F-3

Hardin County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hardin County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 548	548	0%	\$ 4,199	13%
"	7-1-10	0	574	574	0	4,416	13
"	7-1-11	0	286	286	0	4,823	6
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	9,584	9,584	0	14,746	65
"	7-1-10	0	9,670	9,670	0	14,746	66
"	7-1-11	0	7,902	7,902	0	16,510	48

HARDIN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the county’s garbage collection and convenience center 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 G-1

Hardin County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 271	\$ 271
Equity in Pooled Cash and Investments	198,602	111,392	0	309,994
Accounts Receivable	25,228	0	0	25,228
Due from Other Governments	206,529	0	0	206,529
Total Assets	<u>\$ 430,359</u>	<u>\$ 111,392</u>	<u>\$ 271</u>	<u>\$ 542,022</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 5,042	\$ 0	\$ 0	\$ 5,042
Accrued Payroll	18,063	0	0	18,063
Payroll Deductions Payable	1,393	0	0	1,393
Due to Other Funds	0	0	271	271
Total Liabilities	<u>\$ 24,498</u>	<u>\$ 0</u>	<u>\$ 271</u>	<u>\$ 24,769</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Deferred/Unavailable Revenue	\$ 90,922	\$ 0	\$ 0	\$ 90,922
Total Deferred Inflows of Resources	<u>\$ 90,922</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 90,922</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 111,392	\$ 0	\$ 111,392
Committed:				
Committed for Public Health and Welfare	314,939	0	0	314,939
Total Fund Balances	<u>\$ 314,939</u>	<u>\$ 111,392</u>	<u>\$ 0</u>	<u>\$ 426,331</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 430,359</u>	<u>\$ 111,392</u>	<u>\$ 271</u>	<u>\$ 542,022</u>

Exhibit G-2

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 884,832	\$ 0	\$ 0	\$ 884,832
Fines, Forfeitures, and Penalties	0	33,620	0	33,620
Charges for Current Services	277,691	0	1,650	279,341
Other Local Revenues	46,613	0	0	46,613
State of Tennessee	14,239	0	0	14,239
Other Governments and Citizens Groups	5,246	0	0	5,246
Total Revenues	\$ 1,228,621	\$ 33,620	\$ 1,650	\$ 1,263,891
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 0	\$ 1,650	\$ 1,650
Public Safety	0	5,485	0	5,485
Public Health and Welfare	1,292,094	0	0	1,292,094
Other Operations	174,866	1,865	0	176,731
Total Expenditures	\$ 1,466,960	\$ 7,350	\$ 1,650	\$ 1,475,960
Excess (Deficiency) of Revenues Over Expenditures	\$ (238,339)	\$ 26,270	\$ 0	\$ (212,069)
Net Change in Fund Balances	\$ (238,339)	\$ 26,270	\$ 0	\$ (212,069)
Fund Balance, July 1, 2012	553,278	85,122	0	638,400
Fund Balance, June 30, 2013	\$ 314,939	\$ 111,392	\$ 0	\$ 426,331

Exhibit G-3

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 884,832	\$ 0	\$ 884,832	\$ 971,680	\$ 971,680	\$ (86,848)
Charges for Current Services	277,691	0	277,691	301,000	301,000	(23,309)
Other Local Revenues	46,613	0	46,613	55,000	55,000	(8,387)
State of Tennessee	14,239	0	14,239	17,595	106,195	(91,956)
Other Governments and Citizens Groups	5,246	0	5,246	5,750	5,750	(504)
Total Revenues	\$ 1,228,621	\$ 0	\$ 1,228,621	\$ 1,351,025	\$ 1,439,625	\$ (211,004)
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 71,653	\$ 0	\$ 71,653	\$ 72,727	\$ 72,727	\$ 1,074
Waste Pickup	432,454	0	432,454	429,857	453,857	21,403
Convenience Centers	438,107	5,740	443,847	284,500	448,600	4,753
Landfill Operation and Maintenance	349,880	0	349,880	359,500	360,500	10,620
<u>Other Operations</u>						
Other Charges	66,895	0	66,895	69,000	69,000	2,105
Employee Benefits	107,971	0	107,971	113,393	113,393	5,422
Total Expenditures	\$ 1,466,960	\$ 5,740	\$ 1,472,700	\$ 1,328,977	\$ 1,518,077	\$ 45,377
Excess (Deficiency) of Revenues Over Expenditures	\$ (238,339)	\$ (5,740)	\$ (244,079)	\$ 22,048	\$ (78,452)	\$ (165,627)
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (238,339)	\$ (5,740)	\$ (244,079)	\$ 22,048	\$ (78,452)	\$ (165,627)
	553,278	0	553,278	525,152	525,152	28,126
Fund Balance, June 30, 2013	\$ 314,939	\$ (5,740)	\$ 309,199	\$ 547,200	\$ 446,700	\$ (137,501)

Exhibit G-4

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 33,620	\$ 36,900	\$ 36,900	\$ (3,280)
State of Tennessee	0	3,600	3,600	(3,600)
Total Revenues	<u>\$ 33,620</u>	<u>\$ 40,500</u>	<u>\$ 40,500</u>	<u>\$ (6,880)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,485	\$ 40,714	\$ 40,714	\$ 35,229
<u>Other Operations</u>				
Other Charges	1,733	1,734	1,734	1
Employee Benefits	132	13,421	13,421	13,289
Total Expenditures	<u>\$ 7,350</u>	<u>\$ 55,869</u>	<u>\$ 55,869</u>	<u>\$ 48,519</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,270</u>	<u>\$ (15,369)</u>	<u>\$ (15,369)</u>	<u>\$ 41,639</u>
Net Change in Fund Balance	\$ 26,270	\$ (15,369)	\$ (15,369)	\$ 41,639
Fund Balance, July 1, 2012	<u>85,122</u>	<u>85,647</u>	<u>85,647</u>	<u>(525)</u>
Fund Balance, June 30, 2013	<u>\$ 111,392</u>	<u>\$ 70,278</u>	<u>\$ 70,278</u>	<u>\$ 41,114</u>

Major Governmental Funds

Debt Service Funds

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

General Debt Service Fund – The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the retirement of bonds and notes issued for the construction and renovation of the county's schools.

Exhibit H-1

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 217,895	\$ 217,643	\$ 217,643	\$ 252
Other Local Revenues	28,340	84,800	42,800	(14,460)
State of Tennessee	19,463	20,000	20,000	(537)
Other Governments and Citizens Groups	395,221	649,987	649,987	(254,766)
Total Revenues	<u>\$ 660,919</u>	<u>\$ 972,430</u>	<u>\$ 930,430</u>	<u>\$ (269,511)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 720,650	\$ 720,650	\$ 720,650	\$ 0
Highways and Streets	125,000	125,000	125,000	0
Education	197,608	197,608	197,608	0
<u>Interest on Debt</u>				
General Government	416,011	672,135	672,135	256,124
Highways and Streets	99,309	99,309	99,309	0
Education	21,347	21,369	21,369	22
<u>Other Debt Service</u>				
General Government	38,786	39,000	39,000	214
Total Expenditures	<u>\$ 1,618,711</u>	<u>\$ 1,875,071</u>	<u>\$ 1,875,071</u>	<u>\$ 256,360</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (957,792)</u>	<u>\$ (902,641)</u>	<u>\$ (944,641)</u>	<u>\$ (13,151)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 832,054	\$ 832,054	\$ 832,054	\$ 0
Total Other Financing Sources	<u>\$ 832,054</u>	<u>\$ 832,054</u>	<u>\$ 832,054</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (125,738)	\$ (70,587)	\$ (112,587)	\$ (13,151)
Fund Balance, July 1, 2012	<u>1,280,037</u>	<u>1,264,564</u>	<u>1,264,564</u>	<u>15,473</u>
Fund Balance, June 30, 2013	<u><u>\$ 1,154,299</u></u>	<u><u>\$ 1,193,977</u></u>	<u><u>\$ 1,151,977</u></u>	<u><u>\$ 2,322</u></u>

Exhibit H-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 346,039	\$ 394,000	\$ 394,000	\$ (47,961)
Other Local Revenues	6,115	7,500	7,500	(1,385)
Federal Government	626,408	654,897	654,897	(28,489)
Other Governments and Citizens Groups	1,834,424	1,815,251	1,894,688	(60,264)
Total Revenues	<u>\$ 2,812,986</u>	<u>\$ 2,871,648</u>	<u>\$ 2,951,085</u>	<u>\$ (138,099)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 839,633	\$ 810,000	\$ 839,633	\$ 0
<u>Interest on Debt</u>				
Education	1,920,936	1,871,133	1,920,937	1
<u>Other Debt Service</u>				
Education	6,838	7,700	7,700	862
Total Expenditures	<u>\$ 2,767,407</u>	<u>\$ 2,688,833</u>	<u>\$ 2,768,270</u>	<u>\$ 863</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 45,579</u>	<u>\$ 182,815</u>	<u>\$ 182,815</u>	<u>\$ (137,236)</u>
Net Change in Fund Balance	\$ 45,579	\$ 182,815	\$ 182,815	\$ (137,236)
Fund Balance, July 1, 2012	<u>1,318,063</u>	<u>1,315,842</u>	<u>1,315,842</u>	<u>2,221</u>
Fund Balance, June 30, 2013	<u>\$ 1,363,642</u>	<u>\$ 1,498,657</u>	<u>\$ 1,498,657</u>	<u>\$ (135,015)</u>

Fiduciary Funds

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

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

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 and general sessions 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.

Exhibit I-1

Hardin County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,315,444	\$ 1,315,444
Due from Other Governments	467,800	0	467,800
Cash Shortage	0	15,008	15,008
Total Assets	<u>\$ 467,800</u>	<u>\$ 1,330,452</u>	<u>\$ 1,798,252</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 467,800	\$ 0	\$ 467,800
Due to Litigants, Heirs, and Others	0	1,330,452	1,330,452
Total Liabilities	<u>\$ 467,800</u>	<u>\$ 1,330,452</u>	<u>\$ 1,798,252</u>

Exhibit I-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,929,145	\$ 2,929,145	\$ 0
Due from Other Governments	497,949	467,800	497,949	467,800
Total Assets	\$ 497,949	\$ 3,396,945	\$ 3,427,094	\$ 467,800
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 497,949	\$ 3,396,945	\$ 3,427,094	\$ 467,800
Total Liabilities	\$ 497,949	\$ 3,396,945	\$ 3,427,094	\$ 467,800
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,773,193	\$ 7,032,122	\$ 7,489,871	\$ 1,315,444
Cash Shortage	0	15,008	0	15,008
Total Assets	\$ 1,773,193	\$ 7,047,130	\$ 7,489,871	\$ 1,330,452
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,773,193	\$ 7,047,130	\$ 7,489,871	\$ 1,330,452
Total Liabilities	\$ 1,773,193	\$ 7,047,130	\$ 7,489,871	\$ 1,330,452
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,773,193	\$ 7,032,122	\$ 7,489,871	\$ 1,315,444
Equity in Pooled Cash and Investments	0	2,929,145	2,929,145	0
Due from Other Governments	497,949	467,800	497,949	467,800
Cash Shortage	0	15,008	0	15,008
Total Assets	\$ 2,271,142	\$ 10,444,075	\$ 10,916,965	\$ 1,798,252
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 497,949	\$ 3,396,945	\$ 3,427,094	\$ 467,800
Due to Litigants, Heirs, and Others	1,773,193	7,047,130	7,489,871	1,330,452
Total Liabilities	\$ 2,271,142	\$ 10,444,075	\$ 10,916,965	\$ 1,798,252

Hardin County School Department

This section presents combining and individual fund financial statements for the Hardin County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, one Capital Projects Fund, and an Internal Service Fund.

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

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

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Internal Service Fund – The Employee Insurance Fund is used to account for transactions pertaining to the Hardin County School Department's dental insurance plan.

Exhibit J-1

Hardin County, Tennessee
Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 19,411,257	\$ 51,371	\$ 2,082,555	\$ 61,305	\$ (17,216,026)
Support Services	11,471,745	87,121	1,000,166	0	(10,384,458)
Operation of Non-Instructional Services	3,570,477	652,099	2,209,814	0	(708,564)
Other Debt Service	1,738,479	0	0	0	(1,738,479)
Total Governmental Activities	\$ 36,191,958	\$ 790,591	\$ 5,292,535	\$ 61,305	\$ (30,047,527)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 6,157,143
Local Option Sales Taxes					3,750,426
Grants and Contributions Not Restricted to Specific Programs					16,169,778
Miscellaneous					297,156
Total General Revenues					\$ 26,374,503
Change in Net Position					\$ (3,673,024)
Net Position, July 1, 2012					45,100,620
Net Position, June 30, 2013					\$ 41,427,596

Exhibit J-2

Hardin County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2013

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Other Governmental Funds</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,761,436	\$ 3,408	\$ 1,282,929	\$ 3,047,773
Accounts Receivable	1,375	0	23,709	25,084
Due from Other Governments	1,073,721	376,603	125,637	1,575,961
Due from Other Funds	333,710	0	0	333,710
Property Taxes Receivable	6,532,594	0	0	6,532,594
Allowance for Uncollectible Property Taxes	(409,554)	0	0	(409,554)
Total Assets	\$ 9,293,282	\$ 380,011	\$ 1,432,275	\$ 11,105,568
<u>LIABILITIES</u>				
Accounts Payable	\$ 10,679	\$ 24,334	\$ 11,572	\$ 46,585
Payroll Deductions Payable	145,537	15,213	0	160,750
Due to Other Funds	561	325,210	8,500	334,271
Due to Primary Government	259,557	0	0	259,557
Total Liabilities	\$ 416,334	\$ 364,757	\$ 20,072	\$ 801,163
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 5,857,758	\$ 0	\$ 0	\$ 5,857,758
Deferred Delinquent Property Taxes	247,737	0	0	247,737
Other Deferred/Unavailable Revenue	353,901	0	0	353,901
Total Deferred Inflows of Resources	\$ 6,459,396	\$ 0	\$ 0	\$ 6,459,396
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 197,020	\$ 15,254	\$ 0	\$ 212,274
Restricted for Operation of Non-Instructional Services	0	0	420,447	420,447
Restricted for Capital Projects	0	0	991,756	991,756
Committed:				
Committed for Education	452,539	0	0	452,539
Unassigned	1,767,993	0	0	1,767,993
Total Fund Balances	\$ 2,417,552	\$ 15,254	\$ 1,412,203	\$ 3,845,009
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,293,282	\$ 380,011	\$ 1,432,275	\$ 11,105,568

Exhibit J-3

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented Hardin County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 3,845,009
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,149,600	
Add: buildings and improvements net of accumulated depreciation	40,979,459	
Add: other capital assets net of accumulated depreciation	<u>1,516,985</u>	43,646,044
(2) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		53,288
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due to primary government for capital lease payable	\$ (1,752,686)	
Less: compensated absences payable	(574,777)	
Less: other postemployment benefits liability	<u>(4,390,920)</u>	(6,718,383)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>601,638</u>
Net position of governmental activities (Exhibit A)		<u>\$ 41,427,596</u>

Exhibit J-4

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Other Govern-mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 10,018,558	\$ 0	\$ 0	\$ 10,018,558
Licenses and Permits	1,444	0	0	1,444
Charges for Current Services	40,397	0	665,490	705,887
Other Local Revenues	273,146	0	122,289	395,435
State of Tennessee	15,740,213	0	61,305	15,801,518
Federal Government	385,524	3,515,551	1,659,582	5,560,657
Total Revenues	<u>\$ 26,459,282</u>	<u>\$ 3,515,551</u>	<u>\$ 2,508,666</u>	<u>\$ 32,483,499</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,271,732	\$ 2,451,924	\$ 0	\$ 16,723,656
Support Services	9,784,247	1,058,352	0	10,842,599
Operation of Non-Instructional Services	832,263	0	2,285,399	3,117,662
Debt Service:				
Other Debt Service	1,768,112	0	0	1,768,112
Capital Projects	0	0	2,513,097	2,513,097
Total Expenditures	<u>\$ 26,656,354</u>	<u>\$ 3,510,276</u>	<u>\$ 4,798,496</u>	<u>\$ 34,965,126</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (197,072)</u>	<u>\$ 5,275</u>	<u>\$ (2,289,830)</u>	<u>\$ (2,481,627)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 39,998	\$ 0	\$ 0	\$ 39,998
Total Other Financing Sources (Uses)	<u>\$ 39,998</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,998</u>
Net Change in Fund Balances	\$ (157,074)	\$ 5,275	\$ (2,289,830)	\$ (2,441,629)
Fund Balance, July 1, 2012	2,574,626	9,979	3,702,033	6,286,638
Fund Balance, June 30, 2013	<u>\$ 2,417,552</u>	<u>\$ 15,254</u>	<u>\$ 1,412,203</u>	<u>\$ 3,845,009</u>

Exhibit J-5

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (2,441,629)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,966,102	
Less: current-year depreciation expense	<u>(2,556,689)</u>	(590,587)
(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, 2013	\$ 601,638	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(650,133)</u>	(48,495)
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contribution on capital lease for primary government		29,633
(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	\$ 3,626	
Change in other postemployment benefits liability	<u>(638,485)</u>	(634,859)
(5) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>12,913</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (3,673,024)</u></u>

Exhibit J-6

Hardin County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total
	Central Cafeteria	Education Capital Projects	Nonmajor Governmental Funds
	<hr/>	<hr/>	<hr/>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 282,673	\$ 1,000,256	\$ 1,282,929
Accounts Receivable	23,709	0	23,709
Due from Other Governments	125,637	0	125,637
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 432,019	\$ 1,000,256	\$ 1,432,275
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts Payable	\$ 11,572	\$ 0	\$ 11,572
Due to Other Funds	0	8,500	8,500
Total Liabilities	\$ 11,572	\$ 8,500	\$ 20,072
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-Instructional Services	\$ 420,447	\$ 0	\$ 420,447
Restricted for Capital Projects	0	991,756	991,756
Total Fund Balances	\$ 420,447	\$ 991,756	\$ 1,412,203
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 432,019	\$ 1,000,256	\$ 1,432,275
	<hr/>	<hr/>	<hr/>

Exhibit J-7

Hardin County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 665,490	\$ 0	\$ 665,490
Other Local Revenues	11,026	111,263	122,289
State of Tennessee	0	61,305	61,305
Federal Government	1,659,582	0	1,659,582
Total Revenues	<u>\$ 2,336,098</u>	<u>\$ 172,568</u>	<u>\$ 2,508,666</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 2,285,399	\$ 0	\$ 2,285,399
Capital Projects	0	2,513,097	2,513,097
Total Expenditures	<u>\$ 2,285,399</u>	<u>\$ 2,513,097</u>	<u>\$ 4,798,496</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 50,699</u>	<u>\$ (2,340,529)</u>	<u>\$ (2,289,830)</u>
Net Change in Fund Balances	\$ 50,699	\$ (2,340,529)	\$ (2,289,830)
Fund Balance, July 1, 2012	369,748	3,332,285	3,702,033
Fund Balance, June 30, 2013	<u>\$ 420,447</u>	<u>\$ 991,756</u>	<u>\$ 1,412,203</u>

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
General Purpose School Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 10,018,558	\$ 10,275,613	\$ 10,016,113	\$ 2,445
Licenses and Permits	1,444	1,100	1,100	344
Charges for Current Services	40,397	25,100	41,600	(1,203)
Other Local Revenues	273,146	76,350	110,850	162,296
State of Tennessee	15,740,213	15,604,689	15,814,042	(73,829)
Federal Government	385,524	410,700	409,700	(24,176)
Total Revenues	\$ 26,459,282	\$ 26,393,552	\$ 26,393,405	\$ 65,877
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 11,207,770	\$ 11,661,915	\$ 11,278,915	\$ 71,145
Alternative Instruction Program	216,164	162,586	221,886	5,722
Special Education Program	1,416,475	1,440,182	1,427,882	11,407
Vocational Education Program	1,431,323	905,792	1,448,792	17,469
<u>Support Services</u>				
Attendance	173,407	163,419	174,419	1,012
Health Services	310,754	316,080	317,080	6,326
Other Student Support	1,488,437	1,504,941	1,516,941	28,504
Regular Instruction Program	1,069,468	980,783	1,073,783	4,315
Alternative Instruction Program	77,194	84,897	80,397	3,203
Special Education Program	183,493	174,269	188,769	5,276
Vocational Education Program	78,865	62,102	82,102	3,237
Other Programs	158,947	0	160,352	1,405
Board of Education	660,309	673,324	665,324	5,015
Director of Schools	228,811	222,013	233,156	4,345
Office of the Principal	1,468,399	1,504,879	1,478,379	9,980
Fiscal Services	184,303	188,514	186,514	2,211
Human Services/Personnel	3,129	35,970	3,970	841
Operation of Plant	2,109,133	2,246,458	2,126,958	17,825
Maintenance of Plant	429,332	411,450	439,450	10,118
Transportation	1,038,341	1,104,886	1,042,986	4,645
Central and Other	121,925	0	123,072	1,147
<u>Operation of Non-Instructional Services</u>				
Food Service	269,040	0	290,330	21,290
Early Childhood Education	563,223	565,591	565,591	2,368
<u>Other Debt Service</u>				
Education	1,768,112	1,632,859	1,769,297	1,185
Total Expenditures	\$ 26,656,354	\$ 26,042,910	\$ 26,896,345	\$ 239,991

(Continued)

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (197,072)	\$ 350,642	\$ (502,940)	\$ 305,868
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 39,998	\$ 100	\$ 40,100	\$ (102)
Total Other Financing Sources	\$ 39,998	\$ 100	\$ 40,100	\$ (102)
Net Change in Fund Balance	\$ (157,074)	\$ 350,742	\$ (462,840)	\$ 305,766
Fund Balance, July 1, 2012	2,574,626	2,553,465	2,553,465	21,161
Fund Balance, June 30, 2013	\$ 2,417,552	\$ 2,904,207	\$ 2,090,625	\$ 326,927

Exhibit J-9

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,515,551	\$ 2,693,695	\$ 4,008,664	\$ (493,113)
Total Revenues	\$ 3,515,551	\$ 2,693,695	\$ 4,008,664	\$ (493,113)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,473,001	\$ 1,117,383	\$ 1,495,083	\$ 22,082
Special Education Program	871,709	794,292	960,808	89,099
Vocational Education Program	107,214	52,137	107,214	0
<u>Support Services</u>				
Health Services	1,417	0	1,250	(167)
Other Student Support	56,900	39,876	84,865	27,965
Regular Instruction Program	675,293	427,564	1,012,130	336,837
Special Education Program	258,946	204,034	289,931	30,985
Vocational Education Program	10,524	0	10,648	124
Transportation	55,272	58,409	55,159	(113)
Total Expenditures	\$ 3,510,276	\$ 2,693,695	\$ 4,017,088	\$ 506,812
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,275	\$ 0	\$ (8,424)	\$ 13,699
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 90,274	\$ 0	\$ 0
Transfers Out	0	(90,274)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 5,275	\$ 0	\$ (8,424)	\$ 13,699
Fund Balance, July 1, 2012	9,979	77,443	77,443	(67,464)
Fund Balance, June 30, 2013	\$ 15,254	\$ 77,443	\$ 69,019	\$ (53,765)

Exhibit J-10

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 665,490	\$ 706,000	\$ 706,000	\$ (40,510)
Other Local Revenues	11,026	14,000	14,000	(2,974)
Federal Government	1,659,582	1,645,000	1,662,445	(2,863)
Total Revenues	<u>\$ 2,336,098</u>	<u>\$ 2,365,000</u>	<u>\$ 2,382,445</u>	<u>\$ (46,347)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,285,399	\$ 2,608,698	\$ 2,626,143	\$ 340,744
Total Expenditures	<u>\$ 2,285,399</u>	<u>\$ 2,608,698</u>	<u>\$ 2,626,143</u>	<u>\$ 340,744</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 50,699</u>	<u>\$ (243,698)</u>	<u>\$ (243,698)</u>	<u>\$ 294,397</u>
Net Change in Fund Balance	\$ 50,699	\$ (243,698)	\$ (243,698)	\$ 294,397
Fund Balance, July 1, 2012	<u>369,748</u>	<u>371,976</u>	<u>371,976</u>	<u>(2,228)</u>
Fund Balance, June 30, 2013	<u>\$ 420,447</u>	<u>\$ 128,278</u>	<u>\$ 128,278</u>	<u>\$ 292,169</u>

Exhibit J-11

Hardin County, Tennessee
Statement of Net Position
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2013

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 61,186
Due from Other Funds	561
Total Assets	<u>\$ 61,747</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 8,459
Total Liabilities	<u>\$ 8,459</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 53,288</u>
Total Net Position	<u>\$ 53,288</u>

Exhibit J-12

Hardin County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance Fund <hr/>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 254,053
Total Operating Revenues	<u>\$ 254,053</u>
 <u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 18,369
Medical Claims	222,771
Total Operating Expenses	<u>\$ 241,140</u>
Operating Income	<u>\$ 12,913</u>
 Change in Net Position	\$ 12,913
Net Position, July 1, 2012	<u>40,375</u>
 Net Position, June 30, 2013	<u><u>\$ 53,288</u></u>

Exhibit J-13

Hardin County, Tennessee
Statement of Cash Flows
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
	Employee Insurance Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Self-Insurance Premiums	\$ 255,967
Payments to Fiscal Agents	(18,369)
Payments for Claims	(224,608)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 12,990</u>
Increase (Decrease) in Cash	\$ 12,990
Cash, July 1, 2012	<u>48,196</u>
Cash, June 30, 2013	<u><u>\$ 61,186</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 12,913
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due from Other Funds	1,916
Decrease in Accounts Payable	(1,839)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 12,990</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 61,186</u>
Cash, June 30, 2013	<u><u>\$ 61,186</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hardin County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured		
						During Period	Outstanding 6-30-13	
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Courthouse Renovations, Series 2009	\$ 735,000	3.5	5-20-09	5-20-14	\$ 294,000	\$ 147,000	\$ 147,000	
Energy Efficiency Loan - Courthouse Renovations	27,650	0	6-11-09	7-31-16	19,750	3,950	15,800	
Capital Outlay Note, Series 2009 - School Buses	305,000	3.46	9-1-09	9-1-14	183,000	61,000	122,000	
Capital Outlay Note, Series 2010 - Sheriff Vehicles	127,500	2.5	8-31-10	3-1-13	42,500	42,500	0	
Capital Outlay Note, Series 2010 - Solid Waste Trucks	291,000	2.8	8-31-10	3-1-15	174,600	58,200	116,400	
Capital Outlay Note, Series 2010 - School Buses	385,000	2.8	8-31-10	9-1-15	308,000	77,000	231,000	
Capital Outlay Note, Series 2011 - School Buses	417,253	2.15	9-30-11	9-30-18	417,253	59,608	357,645	
Total Notes Payable					\$ 1,439,103	\$ 449,258	\$ 989,845	
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Fire Trucks	427,788	4.75	6-6-03	6-6-13	\$ 52,248	\$ 52,248	\$ 0	
Fire Trucks	429,882	4.75	11-21-05	11-21-15	170,268	47,014	123,254	
Fire Trucks	495,000	5.38	7-31-07	7-31-17	284,583	50,023	234,560	
Fire Truck	224,189	5.1	6-28-10	2-15-20	185,973	19,410	166,563	
Sheriff Vehicles	96,470	6	11-18-11	11-18-13	62,422	30,302	32,120	
Sheriff Vehicle	34,529	6.49	12-7-11	12-7-13	22,288	10,794	11,494	
Total Payable through General Fund					\$ 777,782	\$ 209,791	\$ 567,991	
<u>Payable by School Department Contributions from the General Purpose School Fund to the Rural Debt Service Fund</u>								
Energy Management Project	1,782,319	3.05	6-20-12	11-20-26	\$ 1,782,319	\$ 29,633	\$ 1,752,686	
Total Payable by School Department Contributions from the General Purpose School Fund to the Rural Debt Service Fund					\$ 1,782,319	\$ 29,633	\$ 1,752,686	
Total Capital Leases Payable					\$ 2,560,101	\$ 239,424	\$ 2,320,677	

(Continued)

Exhibit K-1

Hardin County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured During Period	Outstanding 6-30-13
BONDS PAYABLE							
<u>Payable through General Debt Service Fund</u>							
General Obligation Bonds, Series 2007	\$ 8,600,000	3.875 to 4.125 %	5-10-07	6-1-37	\$ 7,615,000	\$ 220,000	\$ 7,395,000
General Obligation Bonds, Series 2008	5,000,000	3.85	2-14-08	6-1-37	4,385,000	135,000	4,250,000
Total Payable through General Debt Service Fund					\$ 12,000,000	\$ 355,000	\$ 11,645,000
<u>Payable through Rural Debt Service Fund</u>							
G.O. BAB School Bonds, Series 2009	10,000,000	3.89	9-15-09	6-1-44	\$ 10,000,000	\$ 0	\$ 10,000,000
G.O. BAB School Bonds, Series 2009B	20,000,000	3.78	10-20-09	6-1-44	19,585,000	440,000	19,145,000
G.O. BAB School Bonds, Series 2010	6,000,000	2.84	3-25-10	6-1-26	5,475,000	370,000	5,105,000
Total Payable through Rural Debt Service Fund					\$ 35,060,000	\$ 810,000	\$ 34,250,000
Total Bonds Payable					\$ 47,060,000	\$ 1,165,000	\$ 45,895,000

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 406,758	\$ 24,071	\$ 430,829
2015	259,758	11,719	271,477
2016	140,558	5,572	146,130
2017	63,558	3,204	66,762
2018	59,608	1,923	61,531
2019	59,605	641	60,246
Total	\$ 989,845	\$ 47,130	\$ 1,036,975

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2014	\$ 272,718	\$ 79,525	\$ 352,243
2015	238,737	67,220	305,957
2016	216,872	57,533	274,405
2017	202,487	49,384	251,871
2018	150,610	42,490	193,100
2019	150,275	37,484	187,759
2020	155,435	32,321	187,756
2021	131,900	26,974	158,874
2022	135,969	22,905	158,874
2023	140,164	18,710	158,874
2024	144,488	14,386	158,874
2025	148,945	9,928	158,873
2026	153,540	5,333	158,873
2027	78,537	900	79,437
Total	\$ 2,320,677	\$ 465,093	\$ 2,785,770

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,195,000	\$ 2,315,789	\$ 3,510,789
2015	1,230,000	2,278,610	3,508,610
2016	1,270,000	2,235,129	3,505,129
2017	1,310,000	2,188,177	3,498,177
2018	1,355,000	2,136,801	3,491,801
2019	1,405,000	2,081,108	3,486,108
2020	1,450,000	2,021,699	3,471,699
2021	1,500,000	1,958,585	3,458,585
2022	1,555,000	1,891,567	3,446,567
2023	1,615,000	1,821,837	3,436,837
2024	1,670,000	1,748,639	3,418,639
2025	1,730,000	1,671,518	3,401,518

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2026	\$ 1,790,000	\$ 1,589,237	\$ 3,379,237
2027	1,450,000	1,502,073	2,952,073
2028	1,260,000	1,432,375	2,692,375
2029	1,300,000	1,369,415	2,669,415
2030	1,355,000	1,302,528	2,657,528
2031	1,410,000	1,231,980	2,641,980
2032	1,480,000	1,158,608	2,638,608
2033	1,540,000	1,079,247	2,619,247
2034	1,610,000	996,677	2,606,677
2035	1,670,000	910,307	2,580,307
2036	1,740,000	819,272	2,559,272
2037	1,815,000	724,364	2,539,364
2038	1,275,000	625,375	1,900,375
2039	1,335,000	547,126	1,882,126
2040	1,390,000	465,187	1,855,187
2041	1,450,000	379,875	1,829,875
2042	1,515,000	290,875	1,805,875
2043	1,575,000	197,875	1,772,875
2044	1,650,000	101,250	1,751,250
Total	\$ 45,895,000	\$ 41,073,105	\$ 86,968,105

Exhibit K-3

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	General Debt Service	Debt retirement	\$ 607,745
	"	"	<u>224,309</u>
Total Transfers			<u>\$ 832,054</u>

Exhibit K-4

Hardin County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hardin County School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and Chapter 113, Private Acts of 1929, as amended	\$ 73,686 (1)	\$ 50,000	CNA Surety Company
Highway Commissioner	Section 8-24-102, TCA	69,013	100,000	Western Surety Company
Director of Schools	State Board of Education and Hardin County Board of Education	90,802 (2)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	62,738	1,108,100	Auto Owners Insurance
Assessor of Property	Section 8-24-102, TCA	62,738	10,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	62,738	50,000	CNA Surety Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	62,738	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	62,738 (3)	105,000	Western Surety Company
Register of Deeds	Section 8-24-102, TCA	62,738	25,000	CNA Surety Company
Sheriff	Section 8-24-102, TCA	69,012 (4)	25,000	"
Employee Blanket Bonds:				
Office of County Mayor:				
Director of Accounts and Budget			10,000	Western Surety Company
All Other Employees			150,000	Local Government Property and Casualty Fund
Office of Highway Commissioner			150,000	"
Office of Director of Schools			150,000	Tennessee Risk Management Trust

- (1) Does not include a vehicle allowance of \$6,000. Includes serving as a secretary to the Highway Commission of \$1,224.
- (2) Includes a chief executive officer training supplement of \$1,000.
- (3) Does not include special commissioner fees of \$1,650.
- (4) Does not include a training supplement of \$600.

Exhibit K-5

Hardin County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,416,405	\$ 0	\$ 0	\$ 0	\$ 590,049	\$ 196,679	\$ 0	\$ 0	\$ 5,203,133
Trustee's Collections - Prior Year	192,338	0	0	0	25,679	8,569	0	0	226,586
Circuit/Clerk & Master Collections - Prior Years	98,252	0	0	0	8,904	4,981	0	0	112,137
Interest and Penalty	79,667	0	0	0	8,574	3,786	0	0	92,027
Payments in-Lieu-of Taxes - T.V.A.	1,662	0	0	0	222	74	0	0	1,958
Payments in-Lieu-of Taxes - Local Utilities	1,304	0	0	0	1,874	58	0	0	3,236
Payments in-Lieu-of Taxes - Other	23,870	0	0	0	10,062	1,063	0	0	34,995
<u>County Local Option Taxes</u>									
Local Option Sales Tax	4,101	519,057	0	0	0	0	0	0	869,197
Hotel/Motel Tax	210,239	0	0	0	0	0	0	0	210,239
Wheel Tax	976,793	0	0	0	105,292	0	0	0	1,082,085
Litigation Tax - General	127,902	0	0	0	0	0	0	0	127,902
Litigation Tax - Jail, Workhouse, or Courthouse	33,437	0	0	0	0	0	0	0	33,437
Business Tax	140,740	0	0	0	0	0	0	0	140,740
Mineral Severance Tax	0	0	0	0	48,640	0	0	0	48,640
<u>Statutory Local Taxes</u>									
Bank Excise Tax	60,284	0	0	0	8,054	2,685	0	0	71,023
Wholesale Beer Tax	0	364,813	0	0	0	0	0	0	364,813
Interstate Telecommunications Tax	0	962	0	0	0	0	0	0	962
Total Local Taxes	\$ 6,366,994	\$ 884,832	\$ 0	\$ 0	\$ 807,350	\$ 217,895	\$ 346,039	\$ 0	\$ 8,623,110
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 1,444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,444
Cable TV Franchise	93,428	0	0	0	0	0	0	0	93,428
<u>Permits</u>									
Beer Permits	5,581	0	0	0	0	0	0	0	5,581
Total Licenses and Permits	\$ 100,453	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,453
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 2,994	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,994
Officers Costs	11,869	0	0	0	0	0	0	0	11,869
Game and Fish Fines	45	0	0	0	0	0	0	0	45
Drug Control Fines	3,747	0	4,080	0	0	0	0	0	7,827
Drug Court Fees	1,182	0	0	0	0	0	0	0	1,182

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
DUI Treatment Fines	\$ 712	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	712
Data Entry Fee - Circuit Court	1,742	0	0	0	0	0	0	0	1,742
<u>General Sessions Court</u>									
Fines	40,499	0	0	0	0	0	0	0	40,499
Officers Costs	64,593	0	0	0	0	0	0	0	64,593
Game and Fish Fines	1,912	0	0	0	0	0	0	0	1,912
Drug Control Fines	25,150	0	341	0	0	0	0	0	25,491
Drug Court Fees	6,965	0	0	0	0	0	0	0	6,965
Jail Fees	3,755	0	0	0	0	0	0	0	3,755
DUI Treatment Fines	13,034	0	0	0	0	0	0	0	13,034
Data Entry Fee - General Sessions Court	6,219	0	0	0	0	0	0	0	6,219
Courtroom Security Fee	1,260	0	0	0	0	0	0	0	1,260
<u>Chancery Court</u>									
Data Entry Fee - Chancery Court	3,644	0	0	0	0	0	0	0	3,644
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	29,199	0	0	0	0	0	29,199
Other Fines, Forfeitures, and Penalties	220	0	0	0	0	0	0	0	220
Total Fines, Forfeitures, and Penalties	\$ 189,542	\$ 0	\$ 33,620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223,162
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 276,203	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	276,203
Other General Service Charges	8,307	1,488	0	0	0	0	0	0	9,795
<u>Fees</u>									
Library Fees	14,515	0	0	0	0	0	0	0	14,515
Greenbelt Late Application Fee	500	0	0	0	0	0	0	0	500
Telephone Commissions	102,147	0	0	0	0	0	0	0	102,147
Constitutional Officers' Fees and Commissions	0	0	0	1,650	0	0	0	0	1,650
Data Processing Fee - Register	10,694	0	0	0	0	0	0	0	10,694
Data Processing Fee - Sheriff	10,370	0	0	0	0	0	0	0	10,370
Sexual Offender Registration Fees - Sheriff	2,400	0	0	0	0	0	0	0	2,400
Data Processing Fee - County Clerk	1,620	0	0	0	0	0	0	0	1,620
Total Charges for Current Services	\$ 150,553	\$ 277,691	\$ 0	\$ 1,650	\$ 0	\$ 0	\$ 0	\$ 0	\$ 429,894

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 65,301	\$ 0	\$ 0	\$ 0	\$ 0	\$ 368	\$ 6,115	\$ 71,784	
Lease/Rentals	89,730	0	0	0	0	1,200	0	90,930	
Sale of Recycled Materials	0	46,589	0	0	0	0	0	46,589	
Refund of Telecommunication and Internet Fees (E-Rate)	1,840	0	0	0	0	0	0	1,840	
Miscellaneous Refunds	41,108	24	0	0	10,455	0	0	51,587	
<u>Nonrecurring Items</u>									
Sale of Equipment	9,061	0	0	0	16,000	0	0	25,061	
Sale of Property	17,017	0	0	0	0	0	0	17,017	
Contributions and Gifts	546,016	0	0	0	0	0	0	546,016	
<u>Other Local Revenues</u>									
Other Local Revenues	0	0	0	0	0	26,772	0	26,772	
Total Other Local Revenues	\$ 770,073	\$ 46,613	\$ 0	\$ 0	\$ 26,455	\$ 28,340	\$ 6,115	\$ 877,596	
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 305,807	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 305,807	
Circuit Court Clerk	134,852	0	0	0	0	0	0	134,852	
General Sessions Court Clerk	252,117	0	0	0	0	0	0	252,117	
Clerk and Master	112,179	0	0	0	0	0	0	112,179	
Register	127,067	0	0	0	0	0	0	127,067	
Sheriff	13,631	0	0	0	0	0	0	13,631	
Trustee	413,212	0	0	0	0	0	0	413,212	
Total Fees Received from County Officials	\$ 1,358,865	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,358,865	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,300	
Aging Programs	25,773	0	0	0	0	0	0	25,773	
Solid Waste Grants	0	14,239	0	0	0	0	0	14,239	
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	12,600	0	0	0	0	0	0	12,600	
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	456,853	0	0	456,853	
Litter Program	48,331	0	0	0	0	0	0	48,331	
Other Public Works Grants	0	0	0	0	65,187	0	0	65,187	

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues</u>									
Income Tax	\$ 100,412	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	100,412
Resort District Sales Tax	789,460	0	0	0	0	0	0	0	789,460
Beer Tax	18,586	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	57,542	0	0	0	0	0	0	0	57,542
Mixed Drink Tax	25,291	0	0	0	0	0	0	0	25,291
State Revenue Sharing - T.V.A.	437,034	0	0	0	58,389	19,463	0	0	514,886
Contracted Prisoner Boarding	619,821	0	0	0	1,797,780	0	0	0	619,821
Gasoline and Motor Fuel Tax	0	0	0	0	18,779	0	0	0	1,797,780
Petroleum Special Tax	0	0	0	0	0	0	0	0	18,779
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Grants	27,001	0	0	0	0	0	0	0	27,001
Other State Revenues	109,772	0	0	0	0	0	0	0	109,772
Total State of Tennessee	\$ 2,296,087	\$ 14,239	\$ 0	\$ 0	\$ 2,396,988	\$ 19,463	\$ 0	\$ 0	\$ 4,726,777
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 134,993	\$ 0	\$ 0	\$ 0	134,993
Homeland Security Grants	31,300	0	0	0	0	0	0	0	31,300
Other Federal through State	16,100	0	0	0	0	0	0	0	16,100
<u>Direct Federal Revenue</u>									
Tax Credit Bond Rebate	0	0	0	0	0	0	0	626,408	626,408
Other Direct Federal Revenue	84,993	0	0	0	0	0	0	0	84,993
Total Federal Government	\$ 132,393	\$ 0	\$ 0	\$ 0	\$ 134,993	\$ 0	\$ 0	\$ 626,408	\$ 893,794
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	\$ 5,284	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,284
Contributions	1,000	0	0	0	0	395,221	1,834,424	0	2,230,645
Contracted Services	134,635	5,246	0	0	0	0	0	0	139,881
<u>Citizens Groups</u>									
Donations	14,786	0	0	0	0	0	0	0	14,786
<u>Other</u>									
Other	25,160	0	0	0	0	0	0	0	25,160
Total Other Governments and Citizens Groups	\$ 180,865	\$ 5,246	\$ 0	\$ 0	\$ 0	\$ 395,221	\$ 1,834,424	\$ 0	\$ 2,415,756
Total	\$ 11,545,825	\$ 1,228,621	\$ 33,620	\$ 1,650	\$ 3,365,786	\$ 660,919	\$ 2,812,986	\$ 0	\$ 19,649,407

Exhibit K-6

Hardin County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Hardin County School Department
 For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,644,192	\$ 0	\$ 0	\$ 0	\$ 5,644,192
Trustee's Collections - Prior Year	245,870	0	0	0	245,870
Circuit/Clerk & Master Collections - Prior Years	139,907	0	0	0	139,907
Interest and Penalty	107,565	0	0	0	107,565
Payments in-Lieu-of Taxes - T.V.A.	2,124	0	0	0	2,124
Payments in-Lieu-of Taxes - Local Utilities	1,666	0	0	0	1,666
Payments in-Lieu-of Taxes - Other	30,506	0	0	0	30,506
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,769,685	0	0	0	3,769,685
<u>Statutory Local Taxes</u>					
Bank Excise Tax	77,043	0	0	0	77,043
Total Local Taxes	\$ 10,018,558	\$ 0	\$ 0	\$ 0	\$ 10,018,558
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,444	\$ 0	\$ 0	\$ 0	\$ 1,444
Total Licenses and Permits	\$ 1,444	\$ 0	\$ 0	\$ 0	\$ 1,444
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 188,414	\$ 0	\$ 188,414
Lunch Payments - Adults	0	0	86,842	0	86,842
Income from Breakfast	0	0	33,379	0	33,379
A la carte Sales	0	0	333,164	0	333,164
Receipts from Individual Schools	24,497	0	0	0	24,497
<u>Other Charges for Services</u>					
Other Charges for Services	15,900	0	23,691	0	39,591
Total Charges for Current Services	\$ 40,397	\$ 0	\$ 665,490	\$ 0	\$ 705,887
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 2,543	\$ 0	\$ 2,543
Lease/Rentals	774	0	0	0	774
Miscellaneous Refunds	505	0	8,483	110,688	119,676
<u>Nonrecurring Items</u>					
Sale of Equipment	153,650	0	0	0	153,650
Damages Recovered from Individuals	1,005	0	0	0	1,005
Contributions and Gifts	22,250	0	0	575	22,825
<u>Other Local Revenues</u>					
Other Local Revenues	94,962	0	0	0	94,962
Total Other Local Revenues	\$ 273,146	\$ 0	\$ 11,026	\$ 111,263	\$ 395,435
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 158,947	\$ 0	\$ 0	\$ 0	\$ 158,947
<u>State Education Funds</u>					
Basic Education Program	14,051,475	0	0	0	14,051,475
Early Childhood Education	547,315	0	0	0	547,315
School Food Service	20,199	0	0	0	20,199
Energy Efficient School Initiative	0	0	0	61,305	61,305
Driver Education	9,544	0	0	0	9,544
Other State Education Funds	141,146	0	0	0	141,146
Career Ladder Program	177,270	0	0	0	177,270
Career Ladder - Extended Contract	48,166	0	0	0	48,166

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Mixed Drink Tax	\$ 25,290	\$ 0	\$ 0	\$ 0	\$ 25,290
State Revenue Sharing - T.V.A.	558,531	0	0	0	558,531
Other State Grants	2,330	0	0	0	2,330
Total State of Tennessee	<u>\$ 15,740,213</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 61,305</u>	<u>\$ 15,801,518</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,062,578	\$ 0	\$ 1,062,578
USDA - Commodities	0	0	117,445	0	117,445
Breakfast	0	0	431,113	0	431,113
USDA - Other	0	0	36,446	0	36,446
Vocational Education - Basic Grants to States	0	135,230	0	0	135,230
Title I Grants to Local Education Agencies	0	1,456,449	0	0	1,456,449
Special Education - Grants to States	9,684	1,182,453	0	0	1,192,137
Safe and Drug-free Schools - State Grants	0	283,081	0	0	283,081
Rural Education	0	63,248	0	0	63,248
Eisenhower Professional Development State Grants	0	211,540	0	0	211,540
Race-to-the-Top - ARRA	0	183,550	0	0	183,550
Other Federal through State	1,171	0	0	0	1,171
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	374,669	0	12,000	0	386,669
Total Federal Government	<u>\$ 385,524</u>	<u>\$ 3,515,551</u>	<u>\$ 1,659,582</u>	<u>\$ 0</u>	<u>\$ 5,560,657</u>
Total	<u>\$ 26,459,282</u>	<u>\$ 3,515,551</u>	<u>\$ 2,336,098</u>	<u>\$ 172,568</u>	<u>\$ 32,483,499</u>

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Clerical Personnel	\$	7,033	
Board and Committee Members Fees		36,700	
Audit Services		7,808	
Dues and Memberships		1,700	
Operating Lease Payments		4,162	
Legal Services		800	
Travel		1,300	
Other Charges		1,987	
Total County Commission			\$ 61,490

Board of Equalization

Board and Committee Members Fees	\$	1,380	
Total Board of Equalization			1,380

Beer Board

Board and Committee Members Fees	\$	3,450	
Office Supplies		325	
Total Beer Board			3,775

Other Boards and Committees

Board and Committee Members Fees	\$	150	
Total Other Boards and Committees			150

County Mayor/Executive

County Official/Administrative Officer	\$	72,462	
Secretary(ies)		25,787	
Clerical Personnel		12,956	
Educational Incentive - Other County Employees		9,000	
Other Fringe Benefits		6,000	
Communication		3,686	
Postal Charges		4,787	
Travel		3,732	
Office Supplies		3,340	
Office Equipment		2,276	
Total County Mayor/Executive			144,026

County Attorney

Legal Services	\$	2,693	
Total County Attorney			2,693

Election Commission

County Official/Administrative Officer	\$	56,464	
Deputy(ies)		16,441	
Part-time Personnel		4,629	
Board and Committee Members Fees		4,297	
Election Workers		18,922	
In-Service Training		1,991	
Communication		1,720	
Data Processing Services		26,819	
Legal Notices, Recording, and Court Costs		2,360	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Postal Charges	\$	3,174	
Printing, Stationery, and Forms		10,175	
Travel		1,783	
Office Supplies		2,897	
Office Equipment		500	
Total Election Commission			\$ 152,172

Register of Deeds

County Official/Administrative Officer	\$	62,738	
Deputy(ies)		47,094	
Communication		2,348	
Contracts with Private Agencies		1,284	
Data Processing Services		10,534	
Postal Charges		300	
Travel		1,086	
Other Contracted Services		8,955	
Office Supplies		5,884	
Office Equipment		3,108	
Total Register of Deeds			143,331

County Buildings

Custodial Personnel	\$	88,615	
Communication		750	
Engineering Services		16,796	
Maintenance and Repair Services - Buildings		38,057	
Maintenance and Repair Services - Equipment		532	
Pest Control		1,798	
Other Contracted Services		1,800	
Custodial Supplies		8,732	
Food Supplies		3,168	
Gasoline		4,735	
Small Tools		488	
Utilities		73,153	
Other Supplies and Materials		1,368	
Building and Contents Insurance		1,500	
Liability Insurance		229,301	
Premiums on Corporate Surety Bonds		2,414	
Other Charges		24,112	
Building Improvements		56,423	
Maintenance Equipment		335	
Motor Vehicles		35,000	
Other Construction		17,336	
Total County Buildings			606,413

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	48,602	
Clerical Personnel		44,689	
In-Service Training		500	
Communication		1,031	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Data Processing Services	\$	7,570	
Printing, Stationery, and Forms		914	
Travel		688	
Office Supplies		3,272	
Office Equipment		1,777	
Total Accounting and Budgeting			\$ 109,043

Property Assessor's Office

County Official/Administrative Officer	\$	62,738	
Secretary(ies)		24,489	
Clerical Personnel		60,344	
Other Salaries and Wages		11,185	
Communication		1,117	
Contracts with Government Agencies		1,901	
Contracts with Private Agencies		17,030	
Data Processing Services		7,311	
Postal Charges		989	
Travel		3,872	
Office Supplies		6,133	
Total Property Assessor's Office			197,109

Reappraisal Program

Other Salaries and Wages	\$	13,985	
Data Processing Services		4,484	
Postal Charges		6,205	
Travel		6,000	
Office Supplies		2,000	
Total Reappraisal Program			32,674

County Trustee's Office

County Official/Administrative Officer	\$	62,738	
Deputy(ies)		24,692	
Part-time Personnel		18,111	
Other Salaries and Wages		19,001	
Communication		2,245	
Data Processing Services		20,013	
Dues and Memberships		1,053	
Postal Charges		5,700	
Travel		696	
Office Supplies		2,807	
Total County Trustee's Office			157,056

County Clerk's Office

County Official/Administrative Officer	\$	62,738	
Deputy(ies)		47,580	
Clerical Personnel		60,249	
Part-time Personnel		26,569	
Educational Incentive - Other County Employees		1,500	
Communication		2,172	
Data Processing Services		16,508	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Postal Charges	\$	7,000	
Travel		1,100	
Office Supplies		6,928	
Refunds		250	
Office Equipment		500	
Total County Clerk's Office			\$ 233,094

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	62,738	
Deputy(ies)		143,341	
Clerical Personnel		25,787	
Part-time Personnel		14,418	
Jury and Witness Expense		8,819	
Communication		2,148	
Data Processing Services		9,738	
Postal Charges		3,180	
Travel		767	
Office Supplies		14,794	
Other Charges		1,084	
Data Processing Equipment		6,192	
Office Equipment		329	
Total Circuit Court			293,335

General Sessions Court

Judge(s)	\$	109,556	
Secretary(ies)		24,469	
Communication		1,270	
Travel		2,673	
Other Contracted Services		181	
Office Supplies		1,553	
Total General Sessions Court			139,702

Drug Court

Remittance of Revenue Collected	\$	9,541	
Total Drug Court			9,541

Chancery Court

County Official/Administrative Officer	\$	62,738	
Deputy(ies)		24,578	
Educational Incentive - Other County Employees		1,500	
Other Salaries and Wages		17,086	
Communication		690	
Data Processing Services		4,324	
Postal Charges		400	
Travel		876	
Office Supplies		5,777	
Building Improvements		9,975	
Total Chancery Court			127,944

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,012	
Assistant(s)		26,023	
Deputy(ies)		680,983	
Salary Supplements		12,600	
Secretary(ies)		27,862	
Part-time Personnel		56,447	
Other Salaries and Wages		27,599	
In-Service Training		2,997	
Communication		9,951	
Data Processing Services		23,743	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		228	
Maintenance and Repair Services - Vehicles		54,023	
Travel		3,500	
Other Contracted Services		58,545	
Gasoline		134,659	
Instructional Supplies and Materials		4,998	
Law Enforcement Supplies		7,026	
Office Supplies		8,646	
Uniforms		10,962	
Utilities		1,792	
Communication Equipment		14,265	
Law Enforcement Equipment		2,358	
Motor Vehicles		49,996	
Total Sheriff's Department			\$ 1,290,215

Traffic Control

Deputy(ies)	\$	16,971	
Other Fringe Benefits		7,387	
Total Traffic Control			24,358

Administration of the Sexual Offender Registry

Office Supplies	\$	2,530	
Total Administration of the Sexual Offender Registry			2,530

Jail

Guards	\$	633,000	
Attendants		1,001	
Part-time Personnel		145,310	
Other Salaries and Wages		24,575	
In-Service Training		542	
Communication		10,067	
Contracts with Private Agencies		10,085	
Legal Services		7,025	
Maintenance and Repair Services - Buildings		41,098	
Medical and Dental Services		112,585	
Other Contracted Services		33,262	
Custodial Supplies		23,309	
Food Preparation Supplies		8,005	
Food Supplies		174,825	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Office Supplies	\$	6,058	
Prisoners Clothing		4,500	
Uniforms		4,617	
Utilities		148,056	
Other Supplies and Materials		33,587	
Other Charges		59,781	
Building Improvements		3,777	
Total Jail			\$ 1,485,065

Juvenile Services

Youth Service Officer(s)	\$	43,243	
Educational Assistants		29,072	
Other Salaries and Wages		22,864	
In-Service Training		794	
Communication		2,188	
Data Processing Services		2,100	
Transportation - Other than Students		900	
Travel		500	
Office Supplies		2,980	
Office Equipment		478	
Total Juvenile Services			105,119

Fire Prevention and Control

Captain(s)	\$	41,990	
Mechanic(s)		121,784	
Part-time Personnel		17,443	
Other Salaries and Wages		4,347	
In-Service Training		17,567	
Communication		6,048	
Maintenance and Repair Services - Buildings		7,195	
Maintenance and Repair Services - Equipment		7,824	
Maintenance and Repair Services - Vehicles		84,524	
Travel		2,000	
Remittance of Revenue Collected		18,817	
Other Contracted Services		1,906	
Drugs and Medical Supplies		996	
Gasoline		44,686	
Instructional Supplies and Materials		2,659	
Office Supplies		2,200	
Uniforms		5,475	
Utilities		40,391	
Other Supplies and Materials		2,465	
Building Improvements		6,366	
Motor Vehicles		10,000	
Site Development		1,429	
Other Equipment		65,359	
Other Capital Outlay		70,790	
Total Fire Prevention and Control			584,261

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Assistant(s)	\$	30,442	
Supervisor/Director		6,609	
Clerical Personnel		18,918	
Part-time Personnel		7,471	
Other Salaries and Wages		2,309	
Communication		424	
Maintenance and Repair Services - Equipment		1,288	
Maintenance and Repair Services - Vehicles		1,000	
Travel		990	
Equipment and Machinery Parts		2,988	
Gasoline		1,000	
Office Supplies		3,240	
Other Supplies and Materials		9,467	
Other Charges		33,645	
Office Equipment		494	
Other Equipment		6,500	
Total Civil Defense			\$ 126,785

Other Public Safety

Supervisor/Director	\$	3,346	
Contracts with Government Agencies		265,462	
Total Other Public Safety			268,808

Public Health and Welfare

Local Health Center

Medical Personnel	\$	77,073	
Communication		3,012	
Contracts with Government Agencies		34,000	
Janitorial Services		5,700	
Maintenance and Repair Services - Buildings		2,486	
Postal Charges		399	
Travel		5,170	
Custodial Supplies		897	
Drugs and Medical Supplies		1,999	
Office Supplies		1,922	
Utilities		10,219	
Total Local Health Center			142,877

Rabies and Animal Control

Assistant(s)	\$	6,170	
Supervisor/Director		12,932	
Part-time Personnel		6,970	
Other Salaries and Wages		2,507	
Advertising		381	
Communication		1,605	
Maintenance and Repair Services - Buildings		885	
Maintenance and Repair Services - Equipment		1,690	
Travel		2,096	
Other Contracted Services		49,570	
Animal Food and Supplies		4,030	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Gasoline	\$	1,989	
Office Supplies		1,630	
Uniforms		1,318	
Utilities		1,491	
Other Supplies and Materials		6,217	
Motor Vehicles		25,462	
Office Equipment		189	
Building Purchases		646,932	
Other Equipment		9,930	
Other Capital Outlay		1,924	
Total Rabies and Animal Control			\$ 785,918

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	100,000	
Utilities		2,014	
Motor Vehicles		224,200	
Total Ambulance/Emergency Medical Services			326,214

Alcohol and Drug Programs

Contributions	\$	30,000	
Total Alcohol and Drug Programs			30,000

Crippled Children Services

Contributions	\$	2,005	
Total Crippled Children Services			2,005

General Welfare Assistance

Contracts with Other Public Agencies	\$	17,742	
Contributions		3,100	
Total General Welfare Assistance			20,842

Other Local Welfare Services

Supervisor/Director	\$	9,139	
Social Security		566	
Unemployment Compensation		162	
Employer Medicare		133	
Total Other Local Welfare Services			10,000

Sanitation Education/Information

Foremen	\$	34,078	
Other Salaries and Wages		27,350	
Maintenance and Repair Services - Equipment		1,039	
Gasoline		2,913	
Instructional Supplies and Materials		9,242	
Other Supplies and Materials		22,310	
Total Sanitation Education/Information			96,932

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	25,906	
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(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Custodial Personnel	\$	7,121	
Part-time Personnel		7,498	
Other Salaries and Wages		11,546	
Communication		1,576	
Maintenance and Repair Services - Buildings		2,019	
Maintenance and Repair Services - Vehicles		89	
Postal Charges		90	
Travel		974	
Gasoline		1,686	
Office Supplies		840	
Utilities		2,494	
Other Supplies and Materials		872	
Vehicle and Equipment Insurance		832	
Total Senior Citizens Assistance			\$ 63,543

Libraries

Assistant(s)	\$	23,748	
Supervisor/Director		32,648	
Custodial Personnel		7,813	
Part-time Personnel		11,233	
Other Salaries and Wages		68,401	
Communication		4,146	
Data Processing Services		1,200	
Maintenance and Repair Services - Buildings		1,572	
Travel		1,491	
Custodial Supplies		2,081	
Office Supplies		16,026	
Utilities		30,018	
Building Improvements		11,731	
Other Capital Outlay		4,060	
Total Libraries			216,168

Other Social, Cultural, and Recreational

Contracts with Government Agencies	\$	18,200	
Contributions		27,250	
Total Other Social, Cultural, and Recreational			45,450

Agriculture and Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	17,044	
Assistant(s)		15,049	
Deputy(ies)		9,438	
Secretary(ies)		9,674	
Other Salaries and Wages		5,500	
Social Security		3,175	
Employer Medicare		742	
Other Fringe Benefits		7,904	
Communication		1,146	
Office Supplies		5,000	
Total Agriculture Extension Service			74,672

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Forest Service

Forest Resource Services	\$	1,000	
Total Forest Service			\$ 1,000

Soil Conservation

Contributions	\$	25,221	
Total Soil Conservation			25,221

Flood Control

Contributions	\$	33,000	
Office Supplies		939	
Total Flood Control			33,939

Other Agriculture and Natural Resources

Part-time Personnel	\$	2,965	
Food Preparation Supplies		156	
Utilities		749	
Total Other Agriculture and Natural Resources			3,870

Other Operations

Tourism

Contributions	\$	198,276	
Total Tourism			198,276

Tourism-Resort District

Contributions	\$	100,952	
Remittance of Revenue Collected		597,211	
Total Tourism-Resort District			698,163

Industrial Development

Contracts with Government Agencies	\$	55,000	
Dues and Memberships		11,495	
Other Charges		273	
Total Industrial Development			66,768

Other Economic and Community Development

Other Charges	\$	12,402	
Other Construction		10,000	
Total Other Economic and Community Development			22,402

Airport

Contributions	\$	25,000	
Airport Improvement		45,443	
Total Airport			70,443

Veterans' Services

Supervisor/Director	\$	25,805	
Secretary(ies)		18,777	
Communication		975	
Data Processing Services		798	
Travel		1,600	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Office Supplies	\$	2,399	
Office Equipment		500	
Total Veterans' Services			\$ 50,854

Other Charges

Trustee's Commission	\$	121,443	
Workers' Compensation Insurance		132,687	
Other Self-Insured Claims		9,123	
Total Other Charges			263,253

Contributions to Other Agencies

Contributions	\$	20,500	
Total Contributions to Other Agencies			20,500

Employee Benefits

Social Security	\$	244,542	
State Retirement		367,240	
Life Insurance		13,186	
Medical Insurance		782,837	
Dental Insurance		25,062	
Unemployment Compensation		16,138	
Employer Medicare		57,483	
Total Employee Benefits			1,506,488

Miscellaneous

Legal Services	\$	370	
Medical and Dental Services		99	
Other Charges		9,722	
Total Miscellaneous			10,191

Principal on Debt

General Government

Principal on Capital Leases	\$	209,791	
Total General Government			209,791

Interest on Debt

General Government

Interest on Capital Leases	\$	38,311	
Total General Government			38,311

Total General Fund \$ 11,336,160

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	48,602	
Secretary(ies)		12,956	
Board and Committee Members Fees		250	
Communication		3,280	
Maintenance and Repair Services - Equipment		64	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Travel	\$	1,763	
Office Supplies		2,747	
Office Equipment		1,991	
Total Sanitation Management			\$ 71,653

Waste Pickup

Mechanic(s)	\$	34,497	
Truck Drivers		136,490	
Maintenance and Repair Services - Equipment		57,831	
Gasoline		134,836	
Small Tools		1,436	
Tires and Tubes		27,922	
Other Supplies and Materials		2,442	
Solid Waste Equipment		37,000	
Total Waste Pickup			432,454

Convenience Centers

Laborers	\$	234,778	
Advertising		295	
Communication		5,048	
Maintenance and Repair Services - Buildings		85,361	
Rentals		1,500	
Utilities		18,275	
Other Supplies and Materials		10,000	
Other Charges		300	
Solid Waste Equipment		82,550	
Total Convenience Centers			438,107

Landfill Operation and Maintenance

Disposal Fees	\$	339,388	
Other Contracted Services		10,492	
Total Landfill Operation and Maintenance			349,880

Other Operations

Other Charges

Trustee's Commission	\$	11,895	
Workers' Compensation Insurance		55,000	
Total Other Charges			66,895

Employee Benefits

Social Security	\$	27,898	
State Retirement		22,559	
Life Insurance		847	
Medical Insurance		45,065	
Dental Insurance		1,421	
Unemployment Compensation		3,423	
Employer Medicare		6,758	
Total Employee Benefits			107,971

Total Solid Waste/Sanitation Fund \$ 1,466,960

(Continued)

Exhibit K-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	1,485	
Confidential Drug Enforcement Payments		2,000	
Law Enforcement Equipment		2,000	
Total Drug Enforcement			\$ 5,485

Other Operations

Other Charges

Workers' Compensation Insurance	\$	1,733	
Total Other Charges			1,733

Employee Benefits

Social Security	\$	92	
Unemployment Compensation		18	
Employer Medicare		22	
Total Employee Benefits			132

Total Drug Control Fund \$ 7,350

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	1,650	
Total Chancery Court			\$ 1,650

Total Constitutional Officers - Fees Fund 1,650

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	69,013	
Assistant(s)		49,919	
Secretary to Board		1,224	
Accountants/Bookkeepers		77,714	
Board and Committee Members Fees		4,895	
Communication		21,872	
Data Processing Services		8,953	
Dues and Memberships		3,470	
Legal Notices, Recording, and Court Costs		68	
Maintenance Agreements		409	
Postal Charges		839	
Printing, Stationery, and Forms		1,315	
Travel		5,299	
Electricity		8,206	
Food Preparation Supplies		2,899	
Natural Gas		1,463	
Office Supplies		2,852	
Water and Sewer		470	
Other Charges		3,213	
Total Administration			\$ 264,093

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Laborers	\$	609,603	
Other Contracted Services		222,624	
Asphalt		29,747	
Asphalt - Cold Mix		9,740	
Asphalt - Hot Mix		226,657	
Concrete		1,120	
Crushed Stone		63,659	
Office Supplies		388	
Pipe		21,786	
Road Signs		8,280	
Wood Products		2,043	
Gravel and Chert		18,899	
Other Supplies and Materials		11,420	
Other Charges		3,021	
Total Highway and Bridge Maintenance			\$ 1,228,987

Operation and Maintenance of Equipment

Mechanic(s)	\$	37,997	
Laborers		22,818	
Maintenance Personnel		33,197	
Maintenance and Repair Services - Equipment		23,974	
Maintenance and Repair Services - Vehicles		17,554	
Diesel Fuel		122,085	
Equipment and Machinery Parts		53,479	
Garage Supplies		8,344	
Gasoline		71,675	
Lubricants		5,722	
Propane Gas		86	
Small Tools		1,387	
Tires and Tubes		33,999	
Other Supplies and Materials		1,545	
Total Operation and Maintenance of Equipment			433,862

Other Charges

Liability Insurance	\$	26,488	
Trustee's Commission		33,056	
Workers' Compensation Insurance		120,279	
Total Other Charges			179,823

Employee Benefits

Social Security	\$	69,418	
State Retirement		92,155	
Life Insurance		3,178	
Medical Insurance		223,404	
Dental Insurance		7,749	
Unemployment Compensation		9,454	
Total Employee Benefits			405,358

Capital Outlay

Maintenance and Repair Services - Buildings	\$	5,950	
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(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Building Improvements	\$	8,988	
Data Processing Equipment		680	
Highway Equipment		167,082	
Motor Vehicles		12,718	
State Aid Projects		599,357	
Other Construction		89,151	
Total Capital Outlay			\$ 883,926

Total Highway/Public Works Fund \$ 3,396,049

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	230,000	
Principal on Notes		251,650	
Principal on Other Loans		239,000	
Total General Government			\$ 720,650

Highways and Streets

Principal on Bonds	\$	125,000	
Total Highways and Streets			125,000

Education

Principal on Notes	\$	197,608	
Total Education			197,608

Interest on Debt

General Government

Interest on Bonds	\$	377,745	
Interest on Notes		16,324	
Interest on Other Loans		21,942	
Total General Government			416,011

Highways and Streets

Interest on Bonds	\$	99,309	
Total Highways and Streets			99,309

Education

Interest on Notes	\$	21,347	
Total Education			21,347

Other Debt Service

General Government

Trustee's Commission	\$	4,872	
Other Debt Service		33,914	
Total General Government			38,786

Total General Debt Service Fund 1,618,711

(Continued)

Exhibit K-7

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

<u>Rural Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>Education</u>			
Principal on Bonds	\$	810,000	
Principal on Capital Leases		<u>29,633</u>	
Total Education			\$ 839,633
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	1,871,132	
Interest on Capital Leases		<u>49,804</u>	
Total Education			1,920,936
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	3,341	
Other Debt Service		<u>3,497</u>	
Total Education			<u>6,838</u>
Total Rural Debt Service Fund			<u>\$ 2,767,407</u>
Total Governmental Funds - Primary Government			<u><u>\$ 20,594,287</u></u>

Exhibit K-8

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,697,045	
Career Ladder Program		100,748	
Career Ladder Extended Contracts		58,700	
Educational Assistants		157,742	
Other Salaries and Wages		15,351	
Certified Substitute Teachers		169,154	
Social Security		478,029	
State Retirement		709,712	
Medical Insurance		1,431,045	
Dental Insurance		66,484	
Employer Medicare		112,127	
Maintenance and Repair Services - Equipment		5,042	
Other Contracted Services		3,356	
Instructional Supplies and Materials		20,000	
Textbooks		85,638	
Other Supplies and Materials		74,746	
Regular Instruction Equipment		22,851	
Total Regular Instruction Program			\$ 11,207,770

Alternative Instruction Program

Teachers	\$	51,499	
Career Ladder Program		2,000	
Homebound Teachers		90,061	
Educational Assistants		15,146	
Certified Substitute Teachers		1,952	
Social Security		6,665	
State Retirement		14,323	
Medical Insurance		28,449	
Dental Insurance		1,336	
Employer Medicare		1,559	
Instructional Supplies and Materials		2,216	
Other Supplies and Materials		958	
Total Alternative Instruction Program			216,164

Special Education Program

Teachers	\$	933,911	
Career Ladder Program		11,220	
Homebound Teachers		35,201	
Educational Assistants		17,220	
Certified Substitute Teachers		18,473	
Social Security		59,249	
State Retirement		87,503	
Medical Insurance		193,864	
Dental Insurance		8,683	
Employer Medicare		14,034	
Contracts with Private Agencies		3,911	
Maintenance and Repair Services - Equipment		392	
Instructional Supplies and Materials		50	
Other Supplies and Materials		10,884	
Other Charges		21,880	
Total Special Education Program			1,416,475

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	1,031,619	
Career Ladder Program		3,000	
Certified Substitute Teachers		17,407	
Social Security		61,028	
State Retirement		90,012	
Medical Insurance		170,094	
Dental Insurance		7,681	
Employer Medicare		14,577	
Other Supplies and Materials		35,905	
Total Vocational Education Program			\$ 1,431,323

Support Services

Attendance

Supervisor/Director	\$	62,087	
Clerical Personnel		55,161	
Social Security		7,169	
State Retirement		11,322	
Medical Insurance		30,883	
Dental Insurance		1,670	
Employer Medicare		1,677	
Travel		1,233	
Other Supplies and Materials		1,405	
In Service/Staff Development		800	
Total Attendance			173,407

Health Services

Medical Personnel	\$	200,316	
Social Security		11,309	
State Retirement		19,226	
Medical Insurance		42,542	
Dental Insurance		2,282	
Employer Medicare		2,688	
Travel		16	
Other Contracted Services		23,634	
Drugs and Medical Supplies		7,006	
Other Supplies and Materials		1,585	
Other Charges		150	
Total Health Services			310,754

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		517,204	
Psychological Personnel		237,120	
Secretary(ies)		12,518	
Attendants		49,478	
Other Salaries and Wages		133,712	
Social Security		53,285	
State Retirement		79,260	
Medical Insurance		144,934	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Dental Insurance	\$	6,707	
Employer Medicare		13,380	
Communication		4,625	
Contracts with Government Agencies		95,675	
Evaluation and Testing		15,165	
Travel		14,466	
Other Contracted Services		72,594	
Other Supplies and Materials		27,882	
In Service/Staff Development		5,432	
Total Other Student Support			\$ 1,488,437

Regular Instruction Program

Supervisor/Director	\$	102,267	
Career Ladder Program		14,035	
Librarians		359,868	
Instructional Computer Personnel		97,037	
Clerical Personnel		28,651	
Educational Assistants		53,155	
Other Salaries and Wages		80,341	
Social Security		42,403	
State Retirement		62,458	
Medical Insurance		127,722	
Dental Insurance		6,512	
Employer Medicare		10,382	
Operating Lease Payments		11,056	
Maintenance and Repair Services - Equipment		4,976	
Travel		5,898	
Other Contracted Services		11,591	
Library Books/Media		38,231	
Other Supplies and Materials		7,355	
In Service/Staff Development		1,608	
Other Charges		2,612	
Other Equipment		1,310	
Total Regular Instruction Program			1,069,468

Alternative Instruction Program

Supervisor/Director	\$	54,745	
Social Security		3,073	
State Retirement		4,861	
Medical Insurance		10,384	
Dental Insurance		334	
Employer Medicare		719	
Travel		1,644	
Other Supplies and Materials		1,434	
Total Alternative Instruction Program			77,194

Special Education Program

Supervisor/Director	\$	67,913	
Career Ladder Program		3,410	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Assessment Personnel	\$	44,742	
Speech Pathologist		17,328	
Social Security		8,223	
State Retirement		12,584	
Medical Insurance		11,951	
Dental Insurance		668	
Employer Medicare		1,923	
Travel		5,573	
Other Contracted Services		6,170	
Other Supplies and Materials		1,595	
In Service/Staff Development		700	
Other Charges		713	
Total Special Education Program			\$ 183,493

Vocational Education Program

Supervisor/Director	\$	32,647	
Career Ladder Program		1,000	
Secretary(ies)		10,884	
Social Security		2,615	
State Retirement		4,134	
Medical Insurance		14,767	
Dental Insurance		668	
Employer Medicare		612	
Travel		10,626	
Other Supplies and Materials		300	
In Service/Staff Development		150	
Other Charges		462	
Total Vocational Education Program			78,865

Other Programs

On-Behalf Payments to OPEB	\$	158,947	
Total Other Programs			158,947

Board of Education

Board and Committee Members Fees	\$	9,960	
Dental Insurance		2,922	
Unemployment Compensation		15,258	
Other Fringe Benefits		158,617	
Audit Services		17,000	
Dues and Memberships		9,733	
Legal Services		6,662	
Travel		7,624	
Other Contracted Services		2,500	
Other Supplies and Materials		343	
Liability Insurance		49,077	
Trustee's Commission		209,314	
Workers' Compensation Insurance		166,048	
In Service/Staff Development		5,251	
Total Board of Education			660,309

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	89,802	
Career Ladder Program		1,000	
Secretary(ies)		41,866	
Clerical Personnel		15,311	
Social Security		9,121	
State Retirement		13,747	
Medical Insurance		19,169	
Dental Insurance		1,002	
Employer Medicare		2,138	
Communication		7,574	
Dues and Memberships		1,965	
Operating Lease Payments		3,973	
Maintenance and Repair Services - Equipment		1,156	
Postal Charges		2,457	
Travel		3,372	
Other Contracted Services		9,594	
Office Supplies		3,256	
Other Supplies and Materials		1,501	
In Service/Staff Development		55	
Administration Equipment		752	
Total Director of Schools			\$ 228,811

Office of the Principal

Principals	\$	429,732	
Career Ladder Program		9,000	
Accountants/Bookkeepers		103,988	
Assistant Principals		406,993	
Secretary(ies)		51,993	
Clerical Personnel		15,297	
Social Security		59,233	
State Retirement		93,024	
Medical Insurance		179,382	
Dental Insurance		8,377	
Employer Medicare		13,853	
Communication		10,150	
Operating Lease Payments		22,748	
Maintenance and Repair Services - Equipment		1,667	
Travel		4,304	
Other Contracted Services		47,562	
Other Supplies and Materials		7,755	
In Service/Staff Development		510	
Other Charges		1,835	
Administration Equipment		996	
Total Office of the Principal			1,468,399

Fiscal Services

Supervisor/Director	\$	65,698
Accountants/Bookkeepers		39,000
Clerical Personnel		22,330

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Social Security	\$	7,720	
State Retirement		13,376	
Medical Insurance		18,617	
Dental Insurance		1,002	
Employer Medicare		1,805	
Data Processing Services		6,854	
Dues and Memberships		85	
Maintenance and Repair Services - Equipment		2,008	
Data Processing Supplies		531	
Office Supplies		2,384	
Other Supplies and Materials		1,321	
In Service/Staff Development		30	
Other Charges		39	
Administration Equipment		1,503	
Total Fiscal Services			\$ 184,303

Human Services/Personnel

Supervisor/Director	\$	2,917	
Employer Medicare		42	
In Service/Staff Development		170	
Total Human Services/Personnel			3,129

Operation of Plant

Custodial Personnel	\$	212,482	
Social Security		12,974	
State Retirement		21,170	
Medical Insurance		78,313	
Dental Insurance		4,341	
Employer Medicare		3,034	
Janitorial Services		470,925	
Disposal Fees		16,502	
Other Contracted Services		6,443	
Custodial Supplies		22,250	
Electricity		913,000	
Natural Gas		85,834	
Water and Sewer		68,378	
Other Supplies and Materials		25,353	
Boiler Insurance		7,661	
Building and Contents Insurance		139,574	
Other Charges		6,635	
Plant Operation Equipment		14,264	
Total Operation of Plant			2,109,133

Maintenance of Plant

Supervisor/Director	\$	39,687	
Maintenance Personnel		125,413	
Social Security		10,206	
State Retirement		16,454	
Medical Insurance		35,644	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Dental Insurance	\$	1,976	
Employer Medicare		2,387	
Maintenance and Repair Services - Buildings		85,851	
Maintenance and Repair Services - Equipment		47,737	
Equipment and Machinery Parts		39,224	
General Construction Materials		14,794	
Other Supplies and Materials		7,556	
Other Charges		2,403	
Total Maintenance of Plant			\$ 429,332

Transportation

Supervisor/Director	\$	7,502	
Mechanic(s)		75,098	
Bus Drivers		370,060	
Clerical Personnel		34,100	
Social Security		28,348	
State Retirement		43,015	
Medical Insurance		47,586	
Dental Insurance		2,588	
Employer Medicare		6,971	
Contracts with Parents		18,108	
Operating Lease Payments		1,127	
Maintenance and Repair Services - Vehicles		18,799	
Medical and Dental Services		4,622	
Other Contracted Services		1,061	
Diesel Fuel		228,976	
Garage Supplies		1,578	
Gasoline		18,343	
Lubricants		7,157	
Tires and Tubes		25,229	
Vehicle Parts		42,777	
Other Supplies and Materials		6,462	
Vehicle and Equipment Insurance		43,093	
In Service/Staff Development		650	
Other Charges		5,091	
Total Transportation			1,038,341

Central and Other

Supervisor/Director	\$	74,229	
Career Ladder Program		1,000	
Other Salaries and Wages		24,977	
Social Security		4,492	
State Retirement		6,680	
Medical Insurance		6,980	
Dental Insurance		334	
Employer Medicare		1,413	
Travel		1,317	
Office Supplies		394	
In Service/Staff Development		30	
Other Charges		79	
Total Central and Other			121,925

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	68,499	
Career Ladder Program		3,000	
Other Salaries and Wages		2,398	
Social Security		4,350	
State Retirement		6,551	
Medical Insurance		169,954	
Dental Insurance		8,961	
Employer Medicare		1,017	
Communication		2,400	
Travel		1,894	
Other Charges		16	
Total Food Service			\$ 269,040

Early Childhood Education

Supervisor/Director	\$	34,420	
Teachers		240,736	
Career Ladder Program		2,000	
Clerical Personnel		5,973	
Educational Assistants		95,685	
Certified Substitute Teachers		908	
Social Security		21,347	
State Retirement		30,197	
Medical Insurance		81,869	
Dental Insurance		3,896	
Employer Medicare		5,282	
Travel		2,646	
Instructional Supplies and Materials		7,143	
Other Supplies and Materials		16,577	
In Service/Staff Development		4,834	
Other Charges		1,958	
Other Equipment		7,752	
Total Early Childhood Education			563,223

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	1,768,112	
Total Education			1,768,112

Total General Purpose School Fund \$ 26,656,354

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	831,729	
Educational Assistants		152,085	
Other Salaries and Wages		1,270	
Certified Substitute Teachers		6,435	
Social Security		57,697	
State Retirement		86,899	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	187,638	
Dental Insurance		8,989	
Employer Medicare		13,670	
Maintenance and Repair Services - Equipment		1,412	
Other Contracted Services		17,455	
Instructional Supplies and Materials		29,001	
Other Supplies and Materials		3,840	
Other Charges		1,127	
Regular Instruction Equipment		73,754	
Total Regular Instruction Program			\$ 1,473,001

Special Education Program

Teachers	\$	174,499	
Educational Assistants		333,789	
Speech Pathologist		33,374	
Social Security		31,925	
State Retirement		51,262	
Medical Insurance		196,530	
Dental Insurance		10,603	
Employer Medicare		7,493	
Contracts with Private Agencies		6,651	
Instructional Supplies and Materials		13,642	
Other Supplies and Materials		2,679	
Special Education Equipment		9,262	
Total Special Education Program			871,709

Vocational Education Program

Teachers	\$	37,327	
Social Security		2,207	
State Retirement		3,315	
Medical Insurance		5,886	
Dental Insurance		334	
Employer Medicare		516	
Other Contracted Services		31,752	
Instructional Supplies and Materials		10,544	
Vocational Instruction Equipment		15,333	
Total Vocational Education Program			107,214

Support Services

Health Services

Medical Personnel	\$	1,200	
Social Security		74	
State Retirement		126	
Employer Medicare		17	
Total Health Services			1,417

Other Student Support

Other Salaries and Wages	\$	9,175	
Social Security		561	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

State Retirement	\$	849	
Employer Medicare		131	
Travel		17,360	
Other Contracted Services		18,573	
Other Supplies and Materials		8,826	
In Service/Staff Development		1,425	
Total Other Student Support			\$ 56,900

Regular Instruction Program

Supervisor/Director	\$	76,530	
Other Salaries and Wages		328,050	
Social Security		24,450	
State Retirement		35,821	
Medical Insurance		47,025	
Dental Insurance		2,366	
Employer Medicare		5,729	
Travel		5,682	
Other Contracted Services		14,852	
Library Books/Media		5,071	
Other Supplies and Materials		88,089	
In Service/Staff Development		39,628	
Other Equipment		2,000	
Total Regular Instruction Program			675,293

Special Education Program

Psychological Personnel	\$	46,345	
Assessment Personnel		41,840	
Secretary(ies)		3,058	
Other Salaries and Wages		32,028	
Social Security		7,089	
State Retirement		12,233	
Medical Insurance		25,594	
Dental Insurance		1,392	
Employer Medicare		1,658	
Travel		9,718	
Other Contracted Services		70,590	
Other Supplies and Materials		1,861	
In Service/Staff Development		1,030	
Other Equipment		4,510	
Total Special Education Program			258,946

Vocational Education Program

In Service/Staff Development	\$	6,648	
Other Equipment		3,876	
Total Vocational Education Program			10,524

Transportation

Bus Drivers	\$	45,525	
Social Security		2,796	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

State Retirement	\$	4,697	
Employer Medicare		654	
Diesel Fuel		1,600	
Total Transportation			\$ 55,272

Total School Federal Projects Fund \$ 3,510,276

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	22,330	
Cafeteria Personnel		641,655	
Other Salaries and Wages		28,798	
Social Security		41,267	
State Retirement		58,615	
Medical Insurance		138,296	
Dental Insurance		8,015	
Employer Medicare		9,860	
Communication		5,081	
Maintenance and Repair Services - Equipment		7,306	
Transportation - Other than Students		4,246	
Travel		7,458	
Other Contracted Services		23,314	
Food Preparation Supplies		56,580	
Food Supplies		1,043,965	
Office Supplies		7,811	
USDA - Commodities		117,445	
Other Supplies and Materials		33,200	
In Service/Staff Development		7,373	
Other Charges		1,397	
Food Service Equipment		21,387	
Total Food Service			\$ 2,285,399

Total Central Cafeteria Fund 2,285,399

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	10,174	
Building Construction		3,787	
Building Improvements		1,920,037	
Site Development		578,163	
Other Capital Outlay		936	
Total Education Capital Projects			\$ 2,513,097

Total Education Capital Projects Fund 2,513,097

Total Governmental Funds - Hardin County School Department \$ 34,965,126

Exhibit K-9

Hardin County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,929,145
Total Cash Receipts	<u>\$ 2,929,145</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,899,854
Trustee's Commission	29,291
Total Cash Disbursements	<u>\$ 2,929,145</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

Hardin County Mayor and
Board of County Commissioners
Hardin 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hardin County's basic financial statements, and have issued our report thereon dated February 10, 2014. Our report includes a reference to other auditors who audited the financial statements of the Park Rest Hardin County Health Center, and the discretely presented Hardin Medical Center, Hardin County Convention and Visitors Bureau, and Hardin County Emergency Communications District, as described in our report on Hardin County's financial statements. This report does not include the results of other auditors testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin 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 Hardin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-001 and 2013-007.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-003, 2013-004, and 2013-006(B).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin 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: 2013-002, 2013-005, and 2013-006(A).

Hardin County's Responses to Findings

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

Purpose of this Report

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

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 stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 10, 2014

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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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

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hardin County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hardin County's major federal programs for the year ended June 30, 2013. Hardin 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 Hardin 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 Hardin 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 Hardin County's compliance.

Opinion on Each Major Federal Program

In our opinion, Hardin 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, 2013.

Report on Internal Control Over Compliance

Management of Hardin 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 Hardin 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 Hardin 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.

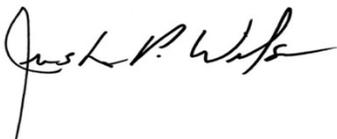
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hardin County's basic financial statements. We issued our report thereon dated February 10, 2014, 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 10, 2014

JPW/sb

Hardin County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 431,113
National School Lunch Program	10.555	N/A	1,062,578 (3)
Summer Food Service Program for Children	10.559	N/A	36,446
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	117,445 (3)
Passed-through Natural Resource Conservation Service:			
ARRA - Emergency Watershed Protection Program	10.923	N/A	65,187
Total U.S. Department of Agriculture			<u>\$ 1,712,769</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Shelter Plus Care	14.238		\$ 17,742
Total U.S. Department of Housing and Urban Development			<u>\$ 17,742</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)	\$ 9,300
Total U.S. Department of Justice			<u>\$ 9,300</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 24,001
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		16,100
Total U.S. Department of Transportation			<u>\$ 40,101</u>
U.S. Department of Education:			
Direct Program:			
Fund for the Improvement of Education	84.215	N/A	\$ 374,669
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,407,393
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,161,203
Special Education - Preschool Grants	84.173	N/A	30,934
Career and Technical Education - Basic Grants to States	84.048	N/A	135,229
Safe and Drug-free Schools and Communities - State Grants	84.186	N/A	283,081
Rural Education	84.358	N/A	57,782
Improving Teacher Quality State Grants	84.367	N/A	172,763
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	183,550
Total U.S. Department of Education			<u>\$ 3,806,604</u>

(Continued)

Hardin 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 State Commission on Aging and Disability:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 25,773
Total U.S. Department of Health and Human Services			\$ 25,773
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 134,993
Emergency Management Performance Grants	97.042	34101-08514	31,300
Assistance to Firefighters Grant	97.044	(2)	67,251
Total U.S. Department of Homeland Security			\$ 233,544
Total Expenditures of Federal Awards			\$ 5,845,833
State Grants:			
		Contract Number	
Litter Program - State Department of Transportation	N/A	(2)	\$ 48,331
Volunteer Fire Assistance - State Department of Agriculture	N/A	(2)	3,000
Safe Schools Act - State Department of Education	N/A	(2)	15,900
Coordinated School Health - State Department of Education	N/A	(2)	99,787
Statewide Student Management System - State Department of Education	N/A	(2)	9,523
ACT/Explore - State Department of Education	N/A	(2)	4,011
Arts Student Ticket Subsidy - State Department of Education	N/A	(2)	2,330
ConnecTenn - State Department of Education	N/A	(2)	11,888
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	14,239
Early Childhood Education - State Department of Education	N/A	(2)	547,315
Energy Efficient School Initiative - State Department of Education	N/A	(2)	61,305
Total State Grants			\$ 817,629

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 \$1,180,023.

Hardin County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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 Hardin County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

HARDIN COUNTY HIGHWAY DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	198	Material audit adjustments were required for proper financial statement presentation

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.04	200	Expenditures exceeded appropriations

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.06	201	Multiple employees operated from the same cash drawer

**OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS
COURTS CLERK, AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.07	202	Duties were not segregated adequately

HARDIN COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.09	203	Hardin County has a material recurring audit finding

HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hardin County is unmodified.
2. The audit of the financial statements of Hardin County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Hardin County.
4. The audit disclosed 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, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); and Fund for the Improvement of Education (CFDA No. 84.215) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardin 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 mayor, the School Department's chief financial officer, and the general sessions court clerk provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF HIGHWAY COMMISSIONER

FINDING 2013-001

THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

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

At June 30, 2013, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments totaling \$212,033 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Highway Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Highway Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-002

EXPENDITURES EXCEEDED APPROPRIATIONS

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission as noted below:

- A. Expenditures exceeded appropriations in two of nine major appropriation categories (the legal level of control) of the School Federal Projects Fund: Support Services - Health Services by \$167 and Support Services - Transportation by \$113.

- B. Fourteen of 77 salary line-items exceeded appropriations in the General Purpose School Fund by amounts ranging from \$250 to \$11,132, and four of 19 salary line-items exceeded appropriations in the School Federal Projects Fund by amounts ranging from \$193 to \$15,566. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE –SCHOOL DEPARTMENT CHIEF FINANCIAL OFFICER

As always, we strive to keep expenditures within approved appropriations. However, occasionally, line-items or even categories are exceeded. We will continue to work on improving our internal monitoring of expenditures as they relate to the budget.

OFFICE OF TRUSTEE

FINDING 2013-003

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

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

Multiple employees operated from the same cash drawer in the Office of Trustee. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee’s receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The trustee should assign each employee their own cash drawer.

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND SHERIFF

FINDING 2013-004

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and 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

The officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – GENERAL SESSIONS COURT CLERK

This office does not simply receipt and disburse where you could possibly segregate their duties. There are presently four people in the office who handle civil suits, garnishments, executions, attachments, divorce complaints, orders of protection, child support cases, Department of Human Services cases, everything that pertains to juvenile issues, warrants, as well as thousands of tickets generated by the Tennessee Highway Patrol. This list does not adequately list all the jobs that the four people have to do as well as having court almost every day and waiting on individuals as they come into the office. I simply do not have sufficient personnel to segregate the duties according to your guidelines. Your finding states that this deficiency is the result of management's failure to correct the finding noted in the prior-year report. This failure is not something I can correct with the financial resources and employees I have available and is definitely not intentional on my part as an office holder.

AUDITOR'S COMMENT

We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, our professional standards require that we bring this matter to your attention. Guidance and forms are available on the Comptroller's Division of Local Government Audit web-site to assist officials in improving

the segregation of duties within their offices. This guidance can be accessed at www.comptroller.tn.gov/la.

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 2013-005

A CASH SHORTAGE OF AT LEAST \$15,008 EXISTED IN THE GENERAL SESSIONS COURT ON APRIL 23, 2013
(Noncompliance Under *Government Auditing Standards*)

In April 2013, during our audit of the General Sessions Court, we reported to the clerk that we had noted irregularities with deposits and possible missing funds. After the clerk discussed this with the office staff, she dismissed an employee who was suspected of the misappropriation of funds. We compared receipts with deposits from July 1, 2012, through April 23, 2013, and identified a cash shortage of at least \$15,008 for the period. This shortage amount is due to receipts that were collected but were not deposited to the official bank account and were not included in the cash remaining on hand in the office. The state Comptroller's Division of Investigations released a separate report on February 18, 2014, which can be accessed at www.comptroller.tn.gov/ia/. This finding will be reviewed with the district attorney general.

RECOMMENDATION

County officials should ensure that the cash shortage is liquidated.

MANAGEMENT'S RESPONSE – GENERAL SESSIONS COURT CLERK

The person who was dismissed for the misappropriation of funds had been a trusted employee for over 13 years and had kept the books for most of that time with perfect audits each year. When the shortage was found and the person who was suspected of misappropriating the funds was identified, she was immediately dismissed. All appropriate people were notified and a Fraud Reporting Form was filed. Any access the employee had to the office, computers, or files was eliminated. Steps have been taken to try to prevent this situation from occurring again.

FINDING 2013-006

THE OFFICE HAD DEFICIENCIES IN DEPOSITING FUNDS
(A. – Noncompliance Under *Government Auditing Standards*; B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in depositing funds:

- A. In some instances, collections were not deposited to the office bank account within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds within three days of receiving

the funds. The delay in depositing the funds increases the risks of fraud and misappropriation.

- B. The office did not deposit collections intact, which means funds collected during a specific period of time were not deposited together. Sound business practices dictate that collections be deposited intact to enhance internal controls.

These deficiencies were the result of a former employee's manipulation of deposits in order to misappropriate funds. Also, the deficiencies were the result of a lack of management oversight.

RECOMMENDATION

The clerk should ensure that all funds are deposited intact to the office bank account within three days of collection as required by state statute.

MANAGEMENT'S RESPONSE – GENERAL SESSIONS COURT CLERK

We have corrected the issues with the deposits. Three people now check the deposits before they are taken to the bank.

HARDIN COUNTY

FINDING 2013-007

HARDIN COUNTY HAS A MATERIAL RECURRING AUDIT FINDING

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

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

<u>Finding Numbers</u>	<u>Description</u>
2013-001, 12.01, 11.03	Material audit adjustments were required for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. Hardin County has established an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

In June 2013, Hardin County created an Audit Committee to address audit issues and findings and to make recommendations for corrections and improvements in financial and reporting processes. The county mayor will continue to encourage better communications with the Highway Department to ensure that all necessary general ledger entries and financial statement presentations are materially correct.

BEST PRACTICE

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

Hardin 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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Hardin County. Therefore, 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Management will continue to encourage the establishment of centralized accounting, budgeting, and purchasing.

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

There were no findings and questioned costs for federal awards.

**HARDIN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013**

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