



**ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2014



ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JAN PAGE, CPA, CFE
Audit Manager

LEE ANN WEST, CPA, CGFM
Auditor 4

VICKY BARBER, CFE
AMANDA MARCH, CFE
JUSTIN NEAL, CPA
ELISHA CROWELL, CISA, CFE
State Auditors

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

HARDIN COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6
<u>INTRODUCTORY SECTION</u>		7
Hardin County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	C-5	25-28
Highway/Public Works Fund	C-6	29
Proprietary Fund:		
Statement of Net Position	D-1	30
Statement of Revenues, Expenses, and Changes in Net Position	D-2	31
Statement of Cash Flows	D-3	32-33
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	34
Index and Notes to the Financial Statements		35-110
REQUIRED SUPPLEMENTARY INFORMATION:		111
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Hardin County School Department	F-1	112
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Hardin County School Department	F-2	113
Notes to the Required Supplementary Information		114

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		115
Nonmajor Governmental Funds:		116
Combining Balance Sheet	G-1	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	118
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	G-3	119
Drug Control Fund	G-4	120
Major Governmental Funds:		121
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Debt Service Fund	H-1	122
Rural Debt Service Fund	H-2	123
Fiduciary Funds:		124
Combining Statement of Fiduciary Assets and Liabilities	I-1	125
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	126
Component Unit:		
Discretely Presented Hardin County School Department:		127
Statement of Activities	J-1	128
Balance Sheet – Governmental Funds	J-2	129-130
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	J-3	131
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	132-133
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	134
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	135
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	136
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	137-138
School Federal Projects Fund	J-9	139
Central Cafeteria Fund	J-10	140
Proprietary Fund:		
Statement of Net Position	J-11	141
Statement of Revenues, Expenses, and Changes in Net Position	J-12	142
Statement of Cash Flows	J-13	143

	Exhibit	Page(s)
Miscellaneous Schedules:		144
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds	K-1	145-146
Schedule of Long-term Debt Requirements by Year	K-2	147-148
Schedule of Transfers	K-3	149
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Hardin County School Department	K-4	150
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	151-162
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Hardin County School Department	K-6	163-166
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	167-183
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Hardin County School Department	K-8	184-195
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-9	196
 <u>SINGLE AUDIT SECTION</u>		 197
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		198-200
Auditor's 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		201-203
Schedule of Expenditures of Federal Awards and State Grants		204-205
Schedule of Audit Findings Not Corrected		206
Schedule of Findings and Questioned Costs		207-211
Best Practice		212
Auditee Reporting Responsibilities		213

Summary of Audit Findings

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Hardin County as of and for the year ended June 30, 2014.

Results

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

Our audit resulted in four 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

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Surplus school buses were not competitively sold.
-

OFFICE OF TRUSTEE

- ◆ The office maintained a duplicate set of accounting records.
 - ◆ Multiple employees operated from the same cash drawer.
-

OFFICES OF TRUSTEE AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Hardin County Officials

June 30, 2014

Officials

Kevin Davis, County Mayor
Paul Blount, Highway Commissioner
Michael Davis, 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

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

Brad Jones
Janie Milender
Danny Sewell
Olga Turnbow
Gary Vickery

Audit Committee

David Davis, Chairman
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
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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, 2014, 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 39.4 percent, 37.2 percent, and 52 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 3.1 percent, 2.5 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 .2 percent, .2 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Hardin County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.8. in the financial statements, which describes a prior-period adjustment to the beginning net position of the government-wide financial statements totaling \$11,700. This adjustment was necessary due to a capital asset being omitted in the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plans and other postemployment benefit plans on pages 112 - 114 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

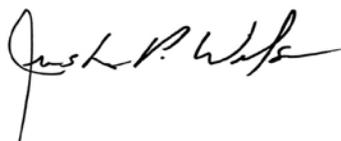
School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 January 30, 2015, 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

January 30, 2015

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardin County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government		Component Units				
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
ASSETS							
Cash	\$ 244	\$ 39,809	\$ 40,053	\$ 0	\$ 13,166,956	\$ 664,420	\$ 4,031
Equity in Pooled Cash and Investments	6,815,227	0	6,815,227	2,581,634	0	0	0
Inventories	0	5,502	5,502	0	1,286,022	0	0
Accounts Receivable	91,086	798,720	889,806	57,841	4,021,316	9,478	126,573
Due from Other Governments	1,597,849	0	1,597,849	1,090,299	0	63,070	0
Due from Component Units	1,916,395	0	1,916,395	0	0	0	0
Property Taxes Receivable	6,137,484	0	6,137,484	6,657,728	0	0	0
Allowance for Uncollectible Property Taxes	(354,302)	0	(354,302)	(384,336)	0	0	0
Prepaid Items	0	24,042	24,042	0	77,762	0	10,000
Accrued Interest Receivable	7,807	0	7,807	0	0	0	0
Other Current Assets	0	0	0	0	271,704	0	0
Restricted Assets:							
Cash and Cash Equivalents	0	0	0	0	0	78,188	0
Patient Trust	0	10,171	10,171	0	0	0	0
Capital Assets:							
Assets Not Depreciated:							
Land	1,935,585	26,700	1,962,285	1,149,600	274,533	140,550	0
Construction in Progress	0	0	0	0	282,282	0	0
Assets Net of Accumulated Depreciation:							
Buildings and Improvements	11,109,100	322,460	11,431,560	38,994,596	12,594,827	1,329,242	0
Infrastructure	8,628,259	0	8,628,259	0	0	0	0
Other Capital Assets	2,626,439	53,521	2,679,960	501,016	2,754,394	456,405	204
Total Assets	\$ 40,511,173	\$ 1,280,925	\$ 41,792,098	\$ 50,648,378	\$ 34,729,796	\$ 2,741,353	\$ 140,808
LIABILITIES							
Accounts Payable	\$ 97,780	\$ 20,024	\$ 117,804	\$ 48,161	\$ 1,410,939	\$ 3,356	\$ 21,216
Accrued Management Fee	0	1,058,012	1,058,012	0	0	0	0
Other Accrued Expenses	0	137,052	137,052	0	2,262,586	30,224	0
Accrued Payroll	199,973	0	199,973	0	0	0	0
Payroll Deductions Payable	16,968	0	16,968	159,053	0	0	880
Due to Primary Government	0	0	0	1,916,395	0	0	0
Accrued Interest Payable	181,557	0	181,557	0	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 County School Department	Hardin Medical Center	Emergency Communications District	Convention and Visitors Bureau	Hardin County	
LIABILITIES (CONT.)									
Current Liabilities Payable from Restricted Assets:									
Patient Trust	\$ 0	\$ 10,171	\$ 10,171	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Noncurrent Liabilities:									
Due Within One Year	1,682,317	0	1,682,317	181,929	510,918	30,000	0	0	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	46,096,185	0	46,096,185	5,339,399	7,644,069	1,151,976	0	0	0
Total Liabilities	\$ 48,274,780	\$ 1,225,259	\$ 49,500,039	\$ 7,644,937	\$ 11,828,512	\$ 1,215,556	\$ 22,096	\$ 0	\$ 0
	\$ 5,553,469	\$ 0	\$ 5,553,469	\$ 6,024,209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred Current Property Taxes	\$ 5,553,469	\$ 0	\$ 5,553,469	\$ 6,024,209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Deferred Inflows of Resources									
	\$ 12,340,234	\$ 402,681	\$ 12,742,915	\$ 40,645,212	\$ 7,751,049	\$ 744,221	\$ 204	\$ 0	\$ 0
Net Investment in Capital Assets									
Restricted for:									
General Government	86,545	0	86,545	0	0	0	0	0	0
Finance	8,401	0	8,401	0	0	0	0	0	0
Administration of Justice	65,457	0	65,457	0	0	0	0	0	0
Public Safety	204,965	0	204,965	0	0	0	0	0	0
Public Health and Welfare	118,642	0	118,642	0	0	0	0	0	0
Social, Cultural, and Recreational Services	542,418	0	542,418	0	0	0	0	0	0
Highway/Public Works	173,780	0	173,780	0	0	0	0	0	0
Education	0	0	0	40,748	0	0	0	0	0
Operation of Non-instructional Services	0	0	0	290,533	0	0	0	0	0
Debt Service	2,187,082	0	2,187,082	0	0	78,188	0	0	0
Capital Projects	0	0	0	841,029	0	0	0	0	0
Unrestricted	(29,044,600)	(347,015)	(29,391,615)	(4,838,290)	15,150,235	703,388	118,508	0	0
Total Net Position	\$ (13,317,076)	\$ 55,666	\$ (13,261,410)	\$ 36,979,232	\$ 22,901,284	\$ 1,525,797	\$ 118,712	\$ 0	\$ 0

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, 2014

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	\$ 2,185,218	\$ 260,600	\$ 54,265	\$ 0	\$ (1,870,353)	\$ 0	\$ (1,870,353)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	995,524	759,677	0	0	(235,847)	0	(235,847)	0	0	0	0	0
Administration of Justice	788,049	633,574	23,878	0	(130,597)	0	(130,597)	0	0	0	0	0
Public Safety	5,553,686	699,444	39,399	667,739	(4,147,104)	0	(4,147,104)	0	0	0	0	0
Public Health and Welfare	2,306,796	376,767	359,503	0	(1,570,526)	0	(1,570,526)	0	0	0	0	0
Social, Cultural, and Recreational Services	635,614	1,200	38,958	19,078	(576,378)	0	(576,378)	0	0	0	0	0
Agriculture and Natural Resources	376,302	131,119	0	0	(245,183)	0	(245,183)	0	0	0	0	0
Highways/Public Works	3,890,504	0	2,203,026	840,283	(847,195)	0	(847,195)	0	0	0	0	0
Interest on Long-term Debt	2,417,610	0	3,143,956	0	726,346	0	726,346	0	0	0	0	0
Total Governmental Activities	\$ 19,149,303	\$ 2,862,381	\$ 5,862,985	\$ 1,527,100	\$ (8,896,837)	\$ 0	\$ (8,896,837)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:												
Park Rest Hardin County Health Center	\$ 2,687,641	\$ 2,340,934	\$ 0	\$ 0	\$ 0	\$ (346,707)	\$ (346,707)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 2,687,641	\$ 2,340,934	\$ 0	\$ 0	\$ 0	\$ (346,707)	\$ (346,707)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 21,836,944	\$ 5,203,315	\$ 5,862,985	\$ 1,527,100	\$ (8,896,837)	\$ (346,707)	\$ (9,243,544)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:												
School Department	\$ 37,105,674	\$ 692,488	\$ 5,193,796	\$ 0	\$ 0	\$ 0	\$ (31,219,390)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Hardin Medical Center	37,695,247	35,346,080	1,113,520	0	0	0	0	0	(1,235,647)	0	0	0
Emergency Communications District	843,537	668,567	228,651	89,143	0	0	0	0	0	142,824	0	0
Hardin County Convention and Visitors Bureau	223,543	5,673	24,500	0	0	0	0	0	0	0	(193,370)	0
Total Component Units	\$ 75,868,001	\$ 36,712,808	\$ 6,560,467	\$ 89,143	\$ 0	\$ 0	\$ (31,219,390)	\$ (1,235,647)	\$ 142,824	\$ (193,370)	\$ 0	\$ 0

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position															
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		Component Units													
			Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-type Activities	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																				
Property Taxes Levied for Debt Service																				
Local Option Sales Taxes																				
Hotel/Motel Tax																				
Wheel Tax																				
Litigation Tax																				
Business Tax																				
Mineral Severance Tax																				
Wholesale Beer Tax																				
Other Local Taxes																				
Grants and Contributions Not Restricted to Specific Programs																				
Unrestricted Investment Income																				
Miscellaneous																				
Gain on Disposal of Capital Assets																				
Total General Revenues																				
Change in Net Position																				
Net Position, July 1, 2013																				
Prior-period Adjustments - See Notes I.D.8. and IX.J.																				
Net Position, June 30, 2014																				

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

Exhibit C-1

Hardin County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Governmental Funds	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 244	\$ 244	244
Equity in Pooled Cash and Investments	3,827,126	391,653	1,240,248	1,123,570	232,630	6,815,227	6,815,227
Accounts Receivable	56,726	274	2,070	0	32,016	91,086	91,086
Due from Other Governments	1,001,933	341,457	0	73,391	181,068	1,597,849	1,597,849
Due from Other Funds	244	0	0	0	0	244	244
Due from Component Units	0	0	0	270,338	0	270,338	270,338
Property Taxes Receivable	5,209,479	696,003	232,002	0	0	6,137,484	6,137,484
Allowance for Uncollectible Property Taxes	(300,731)	(40,178)	(13,393)	0	0	(354,302)	(354,302)
Accrued Interest Receivable	7,807	0	0	0	0	7,807	7,807
Total Assets	\$ 9,802,584	\$ 1,389,209	\$ 1,460,927	\$ 1,467,299	\$ 445,958	\$ 14,565,977	\$ 14,565,977

LIABILITIES

Accounts Payable	\$ 97,312	\$ 0	\$ 0	\$ 0	\$ 468	\$ 97,780	97,780
Accrued Payroll	176,932	0	0	0	23,041	199,973	199,973
Payroll Deductions Payable	15,018	120	0	0	1,830	16,968	16,968
Due to Other Funds	0	0	0	0	244	244	244
Total Liabilities	\$ 289,262	\$ 120	\$ 0	\$ 0	\$ 25,583	\$ 314,965	\$ 314,965
Deferred Current Property Taxes	\$ 4,713,769	\$ 629,775	\$ 209,925	\$ 0	\$ 0	\$ 5,553,469	5,553,469
Deferred Delinquent Property Taxes	169,262	22,614	7,539	0	0	199,415	199,415
Other Deferred/Unavailable Revenue	184,119	164,203	0	179,260	90,151	617,733	617,733
Total Deferred Inflows of Resources	\$ 5,067,150	\$ 816,592	\$ 217,464	\$ 179,260	\$ 90,151	\$ 6,370,617	\$ 6,370,617

(Continued)

Exhibit C-1

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

	Major Funds						Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General			Rural Debt Service	Other		
			Debt Service	Debt Service	Debt Service		Governmental Funds	Other	
Restricted:									
Restricted for General Government	\$ 2,243	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,243
Restricted for Finance	8,401	0	0	0	0	0	0	0	8,401
Restricted for Administration of Justice	65,457	0	0	0	0	0	0	0	65,457
Restricted for Public Safety	120,268	0	0	0	0	0	84,697	0	204,965
Restricted for Public Health and Welfare	28,491	0	0	0	0	0	0	0	28,491
Restricted for Social, Cultural, and Recreational Services	542,418	0	0	0	0	0	0	0	542,418
Restricted for Other Operations	84,302	0	0	0	0	0	0	0	84,302
Restricted for Debt Service	0	0	889,657	1,288,039	0	0	0	0	2,177,696
Committed:									
Committed for Administration of Justice	99,043	0	0	0	0	0	0	0	99,043
Committed for Public Safety	464,489	0	0	0	0	0	0	0	464,489
Committed for Public Health and Welfare	286,091	0	0	0	0	0	245,527	0	531,618
Committed for Highways/Public Works	0	572,497	0	0	0	0	0	0	572,497
Committed for Debt Service	0	0	353,806	0	0	0	0	0	353,806
Assigned:									
Assigned for General Government	11,083	0	0	0	0	0	0	0	11,083
Unassigned	2,733,886	0	0	0	0	0	0	0	2,733,886
Total Fund Balances	\$ 4,446,172	\$ 572,497	\$ 1,243,463	\$ 1,288,039	\$ 1,467,299	\$ 1,288,039	\$ 330,224	\$ 0	\$ 7,880,395
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,802,584	\$ 1,389,209	\$ 1,460,927	\$ 1,467,299	\$ 1,467,299	\$ 1,467,299	\$ 445,958	\$ 0	\$ 14,565,977

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, 2014

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)		\$	7,880,395
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,935,585	
Add: buildings and improvements net of accumulated depreciation		11,109,100	
Add: infrastructure net of accumulated depreciation		8,628,259	
Add: other capital assets net of accumulated depreciation		<u>2,626,439</u>	24,299,383
(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	\$	(70,050)	
Less: capital leases payable		(2,261,987)	
Less: bonds payable		(44,700,000)	
Add: debt to be contributed by the School Department		1,646,057	
Add: deferred charges - discount on debt issued		1,831	
Less: compensated absences payable		(150,292)	
Less: landfill postclosure care costs		(302,532)	
Less: other postemployment benefits liability		(221,078)	
Less: accrued interest on bonds, note, and capital leases		(181,557)	
Less: unamortized premium on debt		<u>(74,394)</u>	(46,314,002)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>817,148</u>
Net position of governmental activities (Exhibit A)			<u><u>\$ (13,317,076)</u></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, 2014

	Major Funds							Total Governmental Funds
	General	Highway / Public Works		General Debt Service		Rural Debt Service	Other Govern- mental Funds	
		General	Highway / Public Works	General Debt Service	General Debt Service			
<u>Revenues</u>								
Local Taxes	\$ 6,779,317	\$ 843,200	\$ 230,737	\$ 299,128	\$ 768,628	\$ 8,921,010		
Licenses and Permits	105,495	0	0	0	0	105,495		
Fines, Forfeitures, and Penalties	188,318	0	0	0	23,396	211,714		
Charges for Current Services	146,431	0	0	0	282,595	429,026		
Other Local Revenues	231,884	26	65,886	3,819	76,591	378,206		
Fees Received from County Officials	1,319,131	0	0	0	0	1,319,131		
State of Tennessee	2,151,981	2,540,332	18,925	0	110,203	4,821,441		
Federal Government	686,817	566,108	0	601,767	0	1,854,692		
Other Governments and Citizens Groups	154,884	0	1,180,311	1,703,796	4,705	3,043,696		
Total Revenues	\$ 11,764,258	\$ 3,949,666	\$ 1,495,859	\$ 2,608,510	\$ 1,266,118	\$ 21,084,411		
<u>Expenditures</u>								
Current:								
General Government	\$ 1,304,963	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,304,963		
Finance	734,524	0	0	0	0	734,524		
Administration of Justice	568,661	0	0	0	8,580	577,241		
Public Safety	4,722,423	0	0	0	39,242	4,761,665		
Public Health and Welfare	844,319	0	0	0	1,127,398	1,971,717		
Social, Cultural, and Recreational Services	375,185	0	0	0	0	375,185		
Agriculture and Natural Resources	143,119	0	0	0	0	143,119		
Other Operations	3,034,115	0	0	0	196,791	3,230,906		
Highways	0	3,623,900	0	0	0	3,623,900		
Debt Service:								
Principal on Debt	193,811	0	1,643,424	825,000	0	2,662,235		
Interest on Debt	28,070	0	547,584	1,852,732	0	2,428,386		
Other Debt Service	0	0	48,743	6,381	0	55,124		
Total Expenditures	\$ 11,949,190	\$ 3,623,900	\$ 2,239,751	\$ 2,684,113	\$ 1,372,011	\$ 21,868,965		

(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	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (184,932)	\$ 325,766	\$ (743,892)	\$ (75,603)	\$ (105,893)	\$ (784,554)	
Other Financing Sources (Uses)							
Capital Leases Issued	\$ 241,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 241,750	
Insurance Recovery	40,387	0	0	0	9,786	50,173	
Transfers In	0	0	833,056	0	0	833,056	
Transfers Out	(608,657)	(224,399)	0	0	0	(833,056)	
Total Other Financing Sources (Uses)	\$ (326,520)	\$ (224,399)	\$ 833,056	\$ 0	\$ 9,786	\$ 291,923	
Net Change in Fund Balances	\$ (511,452)	\$ 101,367	\$ 89,164	\$ (75,603)	\$ (96,107)	\$ (492,631)	
Fund Balance, July 1, 2013	4,957,624	471,130	1,154,299	1,363,642	426,331	8,373,026	
Fund Balance, June 30, 2014	\$ 4,446,172	\$ 572,497	\$ 1,243,463	\$ 1,288,039	\$ 330,224	\$ 7,880,395	

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, 2014

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)		\$	(492,631)
(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	\$	2,507,700	
Less: current-year depreciation expense		<u>(2,499,024)</u>	8,676
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: book value of capital assets disposed			(9,240)
(3) 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, 2014	\$	817,148	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(839,632)</u>	(22,484)
(4) 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.			
Less: capital lease proceeds	\$	(241,750)	
Add: change in premium on debt issuances		3,881	
Less: change in discount on debt issuances		(79)	
Add: principal payments on notes		919,795	
Add: principal payments on capital leases		300,440	
Add: principal payments on bonds		1,195,000	
Less: contributions from the School Department for capital lease		<u>(106,629)</u>	2,070,658
(5) 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	\$	10,776	
Change in compensated absences payable		17,509	
Change in landfill postclosure care costs		234	
Change in other postemployment benefits liability		<u>(20,622)</u>	<u>7,897</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,562,876</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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 6,779,317	\$ 0	\$ 0	\$ 6,779,317	\$ 6,497,364	\$ 6,503,904	\$ 275,413
Licenses and Permits	105,495	0	0	105,495	101,200	101,200	4,295
Fines, Forfeitures, and Penalties	188,318	0	0	188,318	186,095	186,365	1,953
Charges for Current Services	146,431	0	0	146,431	162,320	162,532	(16,101)
Other Local Revenues	231,884	0	0	231,884	184,525	237,296	(5,412)
Fees Received from County Officials	1,319,131	0	0	1,319,131	1,302,800	1,311,329	7,802
State of Tennessee	2,151,981	0	0	2,151,981	2,301,291	2,404,833	(252,852)
Federal Government	686,817	0	0	686,817	69,195	678,445	8,372
Other Governments and Citizens Groups	154,884	0	0	154,884	71,660	137,172	17,712
Total Revenues	\$ 11,764,258	\$ 0	\$ 0	\$ 11,764,258	\$ 10,876,450	\$ 11,723,076	\$ 41,182
Expenditures							
General Government							
County Commission	\$ 64,976	\$ 0	\$ 0	\$ 64,976	\$ 69,346	\$ 69,346	\$ 4,370
Board of Equalization	1,200	0	0	1,200	1,500	1,500	300
Beer Board	3,422	0	0	3,422	4,075	4,075	653
Other Boards and Committees	1,300	0	0	1,300	1,200	1,700	400
County Mayor/Executive	150,116	0	300	150,416	150,779	150,779	363
County Attorney	1,278	0	0	1,278	6,000	6,000	4,722
Election Commission	132,047	0	1,144	133,191	126,028	137,268	4,077
Register of Deeds	144,572	0	0	144,572	148,707	148,707	4,135
County Buildings	806,052	(9,977)	9,612	805,687	570,768	845,648	39,961
Finance							
Accounting and Budgeting	109,835	0	27	109,862	110,250	110,250	388
Property Assessor's Office	194,588	0	0	194,588	206,407	206,407	11,819
Reappraisal Program	26,436	0	0	26,436	28,000	28,000	1,564
County Trustee's Office	161,971	0	0	161,971	165,153	165,153	3,182
County Clerk's Office	241,694	0	0	241,694	247,731	247,731	6,037
Administration of Justice							
Circuit Court	284,872	0	0	284,872	305,365	308,896	24,024
General Sessions Court	142,179	0	0	142,179	142,851	142,851	672

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Drug Court	\$ 18,207	\$ (8,147)	\$ 0	\$ 10,060	\$ 10,500	\$ 10,500	\$ 440
Chancery Court	123,403	0	0	123,403	126,049	127,169	3,766
<u>Public Safety</u>							
Sheriff's Department	1,326,687	(2,852)	0	1,323,835	1,340,075	1,385,180	61,345
Traffic Control	21,356	0	0	21,356	14,754	41,610	20,254
Administration of the Sexual Offender Registry	1,044	0	0	1,044	1,400	1,400	356
Jail	1,550,449	(41,950)	0	1,508,499	1,540,345	1,572,475	63,976
Juvenile Services	108,655	0	0	108,655	111,237	111,237	2,582
Fire Prevention and Control	1,349,975	0	0	1,349,975	662,926	1,385,103	35,128
Civil Defense	78,890	0	0	78,890	79,415	79,914	1,024
Other Public Safety	285,367	0	0	285,367	285,375	285,375	8
<u>Public Health and Welfare</u>							
Local Health Center	148,990	0	0	148,990	159,300	159,300	10,310
Rabies and Animal Control	359,130	0	0	359,130	241,177	408,236	49,106
Ambulance/Emergency Medical Services	182,920	0	0	182,920	178,000	183,175	255
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
Other Local Health Services	3,683	0	0	3,683	0	24,246	20,563
General Welfare Assistance	22,178	0	0	22,178	24,040	24,040	1,862
Other Local Welfare Services	10,000	0	0	10,000	10,000	10,000	0
Sanitation Education/Information	85,413	0	0	85,413	98,450	98,450	13,037
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	64,140	0	0	64,140	66,516	72,516	8,376
Libraries	240,715	(7,455)	0	233,260	762,205	766,903	533,643
Other Social, Cultural, and Recreational	70,330	0	0	70,330	73,750	73,750	3,420
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	76,527	0	0	76,527	80,991	80,991	4,464
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	25,467	0	0	25,467	25,467	25,467	0
Flood Control	34,959	0	0	34,959	38,000	38,000	3,041

(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 7/1/2013	Add: Encumbrances 6/30/2014	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>							
Other Agriculture and Natural Resources	\$ 5,166	\$ 0	\$ 0	\$ 5,166	\$ 6,050	\$ 6,050	\$ 884
<u>Other Operations</u>							
Tourism	210,606	(19,095)	0	191,511	180,000	200,500	8,989
Tourism-resort District	728,490	(50,000)	0	678,490	724,000	724,000	45,510
Industrial Development	71,373	0	0	71,373	68,800	73,502	2,129
Other Economic and Community Development	19,941	0	0	19,941	22,500	36,750	16,809
Airport	60,000	0	0	60,000	25,000	60,000	0
Veterans' Services	47,803	0	0	47,803	47,839	47,839	36
Other Charges	284,719	0	0	284,719	278,339	285,082	363
Contributions to Other Agencies	15,500	0	0	15,500	15,500	15,500	0
Employee Benefits	1,587,594	0	0	1,587,594	1,660,396	1,661,588	73,994
Miscellaneous	8,089	(3,000)	0	5,089	8,700	9,146	4,057
<u>Principal on Debt</u>							
General Government	193,811	0	0	193,811	0	193,811	0
<u>Interest on Debt</u>							
General Government	28,070	0	0	28,070	0	28,070	0
Total Expenditures	\$ 11,949,190	\$ (142,476)	\$ 11,083	\$ 11,817,797	\$ 11,284,261	\$ 12,914,191	\$ 1,096,394
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (184,932)	\$ 142,476	\$ (11,083)	\$ (53,539)	\$ (407,811)	\$ (1,191,115)	\$ 1,137,576
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 241,750	\$ 0	\$ 0	\$ 241,750	\$ 0	\$ 241,750	\$ 0
Insurance Recovery	40,387	0	0	40,387	0	33,160	7,227
Transfers Out	(608,657)	0	0	(608,657)	(608,658)	(608,658)	1
Total Other Financing Sources	\$ (326,520)	\$ 0	\$ 0	\$ (326,520)	\$ (608,658)	\$ (333,748)	\$ 7,228

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (511,452)	\$ 142,476	\$ (11,083)	\$ (380,059)	\$ (1,016,469)	\$ (1,524,863)	\$ 1,144,804
Fund Balance, July 1, 2013	4,957,624	(142,476)	0	4,815,148	4,708,217	4,708,217	106,931
Fund Balance, June 30, 2014	\$ 4,446,172	\$ 0	\$ (11,083)	\$ 4,435,089	\$ 3,691,748	\$ 3,183,354	\$ 1,251,735

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 843,200	\$ 1,011,145	\$ 1,011,145	\$ (167,945)
Other Local Revenues	26	45,000	45,000	(44,974)
State of Tennessee	2,540,332	3,365,177	3,432,059	(891,727)
Federal Government	566,108	150,000	380,487	185,621
Total Revenues	<u>\$ 3,949,666</u>	<u>\$ 4,571,322</u>	<u>\$ 4,868,691</u>	<u>\$ (919,025)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 274,228	\$ 288,018	\$ 288,018	\$ 13,790
Highway and Bridge Maintenance	1,225,930	1,384,150	1,384,150	158,220
Operation and Maintenance of Equipment	437,535	472,440	472,440	34,905
Other Charges	175,526	414,389	189,990	14,464
Employee Benefits	430,639	454,050	454,050	23,411
Capital Outlay	1,080,042	1,712,500	2,009,869	929,827
Total Expenditures	<u>\$ 3,623,900</u>	<u>\$ 4,725,547</u>	<u>\$ 4,798,517</u>	<u>\$ 1,174,617</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 325,766</u>	<u>\$ (154,225)</u>	<u>\$ 70,174</u>	<u>\$ 255,592</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (224,399)	\$ 0	\$ (224,399)	\$ 0
Total Other Financing Sources	<u>\$ (224,399)</u>	<u>\$ 0</u>	<u>\$ (224,399)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 101,367	\$ (154,225)	\$ (154,225)	\$ 255,592
Fund Balance, July 1, 2013	<u>471,130</u>	<u>474,035</u>	<u>474,035</u>	<u>(2,905)</u>
Fund Balance, June 30, 2014	<u>\$ 572,497</u>	<u>\$ 319,810</u>	<u>\$ 319,810</u>	<u>\$ 252,687</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, 2014

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 39,809
Inventories	5,502
Accounts Receivable	798,720
Prepaid Items	24,042
Restricted Assets:	
Patient Trust	10,171
Total Current Assets	<u>\$ 878,244</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	322,460
Other Capital Assets	53,521
Total Noncurrent Assets	<u>\$ 402,681</u>
Total Assets	<u>\$ 1,280,925</u>
<u>LIABILITIES</u>	
Liabilities:	
Accounts Payable	\$ 20,024
Accrued Management Fee	1,058,012
Other Accrued Expenses	137,052
Current Liabilities Payable from Restricted Assets:	
Patient Trust	10,171
Total Liabilities	<u>\$ 1,225,259</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 402,681
Unrestricted	<u>(347,015)</u>
Net Position	<u>\$ 55,666</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, 2014

	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	\$ 2,340,934
Total Operating Revenues	<u>\$ 2,340,934</u>
<u>Operating Expenses</u>	
Administrative	\$ 912,279
Dietary	250,443
Housekeeping	151,053
Laundry	155,604
Operation and Maintenance	190,710
Nursing	912,544
Social Service	59,385
Depreciation	55,623
Total Operating Expenses	<u>\$ 2,687,641</u>
Operating Income (Loss)	<u>\$ (346,707)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 80
Total Nonoperating Revenues (Expenses)	<u>\$ 80</u>
Net Income (Loss)	<u>\$ (346,627)</u>
Change in Net Position	\$ (346,627)
Net Position, July 1, 2013	<u>402,293</u>
Net Position, June 30, 2014	<u>\$ 55,666</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, 2014

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
<u>Cash Flows from Operating Activities</u>	
Receipts from Patient Services	\$ 2,317,454
Payments to Suppliers	(965,371)
Payments to Employees	(1,583,481)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (231,398)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	\$ 80
Net Cash Provided By (Used In) Investing Activities	<u>\$ 80</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Equipment	\$ (6,316)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (6,316)</u>
Net Increase (Decrease) in Cash	\$ (237,634)
Cash, July 1, 2013	<u>277,443</u>
Cash, June 30, 2014	<u>\$ 39,809</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)	\$ (346,707)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	55,623
Changes in Assets and Liabilities:	
Accounts Receivable	(88,028)
Inventory	(300)
Prepaid Items	(4,114)
Accounts Payable	(4,946)
Accrued Management Fee	160,866
Accrued Expenses	<u>(3,792)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (231,398)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 39,809</u>
Cash, June 30, 2014	<u>\$ 39,809</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 538,406
Due from Other Governments	513,806
Cash Shortage	<u>10,008</u>
Total Assets	<u>\$ 1,062,220</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 513,806
Due to Litigants, Heirs, and Others	<u>548,414</u>
Total Liabilities	<u>\$ 1,062,220</u>

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

HARDIN COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	37
B. Government-wide and Fund Financial Statements	38
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	39
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	42
2. Receivables and Payables	43
3. Capital Assets	44
4. Deferred Outflows/Inflows of Resources	45
5. Compensated Absences	45
6. Long-term Obligations	46
7. Net Position and Fund Balance	46
8. Prior-period Adjustment	48
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	48
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	48
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	49
B. Cash Shortage - Prior Year	50
IV. Detailed Notes on All Funds	
A. Deposits and Investments	50
B. Capital Assets	51
C. Interfund Receivables, Payables, and Transfers	53
D. Capital Leases	55
E. Long-term Obligations	56
F. On-Behalf Payments	59

(Continued)

HARDIN COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

Note	Page(s)
V. Other Information	
A. Risk Management	60
B. Accounting Changes	62
C. Subsequent Events	62
D. Contingent Liabilities	62
E. Change in Administration	63
F. Landfill Postclosure Care Costs	63
G. Joint Ventures	63
H. Retirement Commitments	64
I. Other Postemployment Benefits (OPEB)	67
J. Purchasing Laws	70
VI. Other Notes - Park Rest Hardin County Health Center (Enterprise Fund)	70
VII. Other Notes - Discretely Presented Hardin Medical Center	76
VIII. Other Notes - Discretely Presented Hardin County Emergency Communications District	92
IX. Other Notes - Discretely Presented Hardin County Convention and Visitors Bureau	102

HARDIN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, an 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, 2014.

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 3.05 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. Governmental activities 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 funds 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 an unlimited amount of earned but unused sick leave 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 an unlimited amount of earned but unused annual and sick leave days. Upon leaving employment, 12-month support staff are 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 \$3,387,290 of restricted net position, of which \$84,302 is restricted by enabling legislation.

As of June 30, 2014, Hardin County had \$35,071,057 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. Prior-period Adjustment

Capital assets of the primary government were restated \$11,700 from the prior year because a vehicle had been omitted.

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

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 – Prior Year

On February 14, 2014, an investigative report by the Comptroller’s Division of Investigations, Special Investigations Unit revealed that beginning at least in March 2012 and continuing through April 2013, a deputy clerk misappropriated cash totaling at least \$15,008 from the office. The deputy admitted to investigators that she took cash from daily collections for her personal use and used cash collected on subsequent days to conceal the misappropriation. Additionally, the deputy subverted the clerk’s established practice of rotating deposit duties among deputy clerks by voluntarily making all of the daily deposits. This enabled the deputy to continue her misappropriation scheme undetected. On May 17, 2014, the former deputy pled guilty to theft and official misconduct and was ordered to pay restitution (\$13,539) plus court costs. The outstanding cash shortage totaled \$12,113 as of the date of this report.

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, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	*Restated			
	Balance			Balance
	7-1-13	Increases	Decreases	6-30-14
Capital Assets Not Depreciated:				
Land	\$ 1,913,569	\$ 22,016	\$ 0	\$ 1,935,585
Total Capital Assets				
Not Depreciated	\$ 1,913,569	\$ 22,016	\$ 0	\$ 1,935,585

Governmental Activities (Cont.):

	*Restated			
	Balance			Balance
	7-1-13	Increases	Decreases	6-30-14
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 16,275,966	\$ 308,575	\$ 0	\$ 16,584,541
Infrastructure	39,893,983	813,228	34,650	40,672,561
Other Capital				
Assets	9,023,245	1,363,881	392,375	9,994,751
Total Capital Assets				
Depreciated	\$ 65,193,194	\$ 2,485,684	\$ 427,025	\$ 67,251,853
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 4,939,705	\$ 535,736	\$ 0	\$ 5,475,441
Infrastructure	30,724,672	1,345,040	25,410	32,044,302
Other Capital				
Assets	7,142,439	618,248	392,375	7,368,312
Total Accumulated				
Depreciation	\$ 42,806,816	\$ 2,499,024	\$ 417,785	\$ 44,888,055
Total Capital Assets				
Depreciated, Net	\$ 22,386,378	\$ (13,340)	\$ 9,240	\$ 22,363,798
Governmental Activities				
Capital Assets, Net	\$ 24,299,947	\$ 8,676	\$ 9,240	\$ 24,299,383

* See footnote I.D.8. for prior-period adjustment.

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

Governmental Activities:

General Government	\$ 16,864
Finance	11,713
Administration of Justice	11,743
Public Safety	651,242
Public Health and Welfare	169,782
Social, Cultural, and Recreational Services	95,630
Agriculture and Natural Resources	32,355
Other Operations	13,378
Highways/Public Works	1,496,317
Total Depreciation Expense -	
Governmental Activities	<u>\$ 2,499,024</u>

Discretely Presented Hardin County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
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	\$ 66,077,647	\$ 314,680	\$ 0	\$ 66,392,327
Other Capital Assets	3,435,518	54,476	1,311,897	2,178,097
Total Capital Assets Depreciated	<u>\$ 69,513,165</u>	<u>\$ 369,156</u>	<u>\$ 1,311,897</u>	<u>\$ 68,570,424</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 25,098,188	\$ 2,299,543	\$ 0	\$ 27,397,731
Other Capital Assets	1,918,533	186,734	428,186	1,677,081
Total Accumulated Depreciation	<u>\$ 27,016,721</u>	<u>\$ 2,486,277</u>	<u>\$ 428,186</u>	<u>\$ 29,074,812</u>
Total Capital Assets Depreciated, Net	<u>\$ 42,496,444</u>	<u>\$ (2,117,121)</u>	<u>\$ 883,711</u>	<u>\$ 39,495,612</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,646,044</u>	<u>\$ (2,117,121)</u>	<u>\$ 883,711</u>	<u>\$ 40,645,212</u>

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

Governmental Activities:

Instruction	\$ 1,511,240
Support Services	614,455
Operation of Non-instructional Services	<u>360,582</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,486,277</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 244
Discretely Presented School Department:		
General Purpose School	School Federal Projects	262,669

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:

Receivable Fund	Payable Fund	Amount
Primary Government:		
Governmental Activities	Component Unit: School Department: Governmental Activities	\$ 1,646,057
Rural Debt Service	General Purpose School	270,338

The amount reflected in governmental activities as Due to the Primary Government from the discretely presented School Department is the balance of the capital lease issued by the county for the School Department as discussed in Note IV.E. The School Department has agreed to contribute the funds necessary to retire the debt.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Transfers Out	Transfers In
	General Debt Service Fund
General Fund	\$ 608,657
Highway/Public Works Fund	224,399
Total	<u>\$ 833,056</u>

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, 2014, 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
Energy Management Project	6-20-12	14	1,782,319	3.05
Commercial Pumper	3-31-14	9	241,750	3.79

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 General Debt Service Fund.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Buildings and Improvements	\$ 1,782,319
Vehicles and Equipment	1,390,821
Less: Accumulated Depreciation	<u>(1,258,677)</u>
Total Book Value	<u><u>\$ 1,914,463</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30	Governmental Funds
2015	\$ 334,467
2016	302,915
2017	280,381
2018	221,609
2019	216,268
2020-2024	937,288
2025-2027	<u>397,183</u>
Total Minimum Lease Payments	\$ 2,690,111
Less: Amount Representing Interest	<u>(428,124)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 2,261,987</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, 2014, 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, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	2.84 to 4.125 %	6-1-44	\$ 49,600,000	\$ 44,700,000
Capital Outlay Notes	0 to 2.8	7-31-16	318,650	70,050
Capital Leases	3.05 to 5.38	11-20-26	3,173,140	2,261,987

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2020-2024	7,790,000	9,442,327	17,232,327
2025-2029	7,530,000	7,564,618	15,094,618
2030-2034	7,395,000	5,769,040	13,164,040
2035-2039	7,835,000	3,626,444	11,461,444
2040-2044	7,580,000	1,435,062	9,015,062
Total	\$ 44,700,000	\$ 38,757,316	\$ 83,457,316

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 62,150	\$ 1,630	\$ 63,780
2016	3,950	0	3,950
2017	3,950	0	3,950
Total	\$ 70,050	\$ 1,630	\$ 71,680

There is \$2,531,502 available in the debt service funds to service long-term debt. Debt per capita, including bonds, notes, and capital leases totaled \$1,807, based on the 2010 federal census.

The School Department is currently contributing funds to service 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.

Description of Indebtedness	Outstanding 6-30-14
-----------------------------	------------------------

Capital Lease

Contributions from the General Purpose School Fund

Energy Management Project	\$ 1,646,057
---------------------------	--------------

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2013	\$ 45,895,000	\$ 989,845	\$ 2,320,677
Additions	0	0	241,750
Reductions	(1,195,000)	(919,795)	(300,440)
Balance, June 30, 2014	<u>\$ 44,700,000</u>	<u>\$ 70,050</u>	<u>\$ 2,261,987</u>
Balance Due Within One Year	<u>\$ 1,230,000</u>	<u>\$ 62,150</u>	<u>\$ 259,137</u>

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2013	\$ 167,801	\$ 302,766	\$ 200,456
Additions	186,998	4,471	25,206
Reductions	(204,507)	(4,705)	(4,584)
Balance, June 30, 2014	<u>\$ 150,292</u>	<u>\$ 302,532</u>	<u>\$ 221,078</u>
Balance Due Within One Year	<u>\$ 126,325</u>	<u>\$ 4,705</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 47,705,939
Less: Balance Due Within One Year	(1,682,317)
Add: Unamortized Premium on Debt	74,394
Less: Deferred Discount on Debt	<u>(1,831)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 46,096,185</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, 2014, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 574,777	\$ 4,390,920
Additions	202,319	844,870
Reductions	(182,275)	(309,283)
Balance, June 30, 2014	<u>\$ 594,821</u>	<u>\$ 4,926,507</u>
Balance Due Within One Year	<u>\$ 181,929</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 5,521,328
Less: Balance Due Within One Year	<u>(181,929)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,339,399</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, 2014, were \$161,139 and \$35,326, 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 LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Payments</u>	<u>Balance at Fiscal Year-end</u>
2012-13	\$ 10,298	\$ 239,301	\$ 241,140	\$ 8,459
2013-14	8,459	230,677	229,741	9,395

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On September 15, 2014, Hardin County entered into a \$224,518 three-year lease-purchase agreement for a Solid Waste Department refuse collection truck.

On December 1, 2014, Hardin County entered into a \$135,488 two-year lease-purchase agreement for four patrol cars.

D. 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, 2014, \$2,308,000 has been repaid leaving a balance of \$5,692,000. Future principal requirements for the entire loan at June 30, 2014, were \$5,692,000. The loan is repayable at a variable interest rate that is determined by the remarketing agent weekly. At June 30, 2014, the variable interest rate was .57 percent.

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

E. Change in Administration

On March 10, 2014, John Thomas left the Office of Director of Schools and was succeeded by Michael Davis.

F. 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 \$302,532 reported as postclosure care liability at June 30, 2014, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. 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 made no contributions to the DTF for the year ended June 30, 2014.

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

H. 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, 2014, was 10.59 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, 2014, Hardin County’s annual pension cost of \$782,221 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>
6-30-14	\$782,221	100%	\$0
6-30-13	818,683	100	0
6-30-12	743,375	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.8 percent funded. The actuarial accrued liability for benefits was \$22.21 million, and the actuarial value of assets was \$21.28 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.93 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.61 million, and the ratio of the UAAL to the covered payroll was 12.25 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, 2014, 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, 2014, 2013, and 2012, were \$1,256,719, \$1,260,065, and \$1,317,805, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

Hardin County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for health care 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 health care 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 their own 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, 44 professional and three support retirees are participating in the 2013-14 fiscal year. The School Department contributes between 55 to 58.5 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, 2014, Hardin County and the discretely presented Hardin County School Department contributed \$4,584 and \$309,283, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 844,000	\$ 25,000
Interest on the NOPEBO	33,760	8,018
Adjustment to the ARC	(32,890)	(7,812)
Annual OPEB cost	\$ 844,870	\$ 25,206
Less: Amount of contribution	(309,283)	(4,584)
Increase/decrease in NOPEBO	\$ 535,587	\$ 20,622
Net OPEB obligation, 7-1-13	4,390,920	200,456
Net OPEB obligation, 6-30-14	\$ 4,926,507	\$ 221,078

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 953,649	34%	\$ 3,752,435
6-30-13	"	963,624	34	4,390,920
6-30-14	"	844,870	37	4,926,507
6-30-12	Local Government Group	44,681	17	166,800
6-30-13	"	44,590	25	200,456
6-30-14	"	25,206	18	221,078

Funded Status and Funding Progress

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 8,022,000	\$ 158,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 8,022,000	\$ 158,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 17,371,926	\$ 4,859,223
UAAL as a % of covered payroll	46%	3%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Government Group and the Local Education 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 health care cost trend rate of 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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.

J. 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, and 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, as appropriate. 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. Balances reported at year-end include charges due from insurance companies and private-pay families.

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, 2014.

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, 2014.

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 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.
- 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 \$155,604.

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 \$212,024.

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 \$163,865 in 2014.

Park Rest is responsible to pay the county a monthly administrative fee equal to one percent of gross revenues. For 2014, that fee totaled \$23,409.

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, 2014, 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 85 percent of the accounts receivable balance at

June 30, 2014, 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, 2014, was as follows:

	Balance 7-1-13	Increases	Balance 6-30-14
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	360,240	6,316	366,556
Total Capital Assets Depreciated	\$ 1,593,758	\$ 6,316	\$ 1,600,074
Less Accumulated Depreciation For:			
Building and Improvements	\$ (797,411)	\$ (28,130)	\$ (825,541)
Furniture and Fixtures	(60,857)	(3,391)	(64,248)
Equipment	(310,202)	(24,102)	(334,304)
Total Accumulated Depreciation	\$ (1,168,470)	\$ (55,623)	\$ (1,224,093)
Total Capital Assets Depreciated, Net	\$ 425,288	\$ (55,623)	\$ 375,981
Total Capital Assets, Net	\$ 451,988	\$ (49,307)	\$ 402,681

Fully depreciated assets at June 30, 2014, totaled \$410,865.

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.

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, 2014, the total carrying value of the medical center's cash, cash equivalents, and investments was \$13,166,956, and the bank balance was \$13,173,456. 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 \$3,693,397 as of June 30, 2014, 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, 2014.

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, 2014, physician guarantees totaled \$96,242 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 \$72 million for the year ended June 30, 2014. Approximately 28 percent of net patient service revenue was from Medicare for the year ended June 30, 2014. Approximately ten percent of net patient service revenue was from Medicaid/TennCare for the year ended June 30, 2014.

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 totaled approximately \$594,000 for the year ended June 30, 2014.

9. Operating Activities

The medical center defines operating activities as reported in the Consolidated Statement 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. Nonexchange 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 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, 2014, 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 Statement of Revenue, Expenses, and Changes in Net Position is a performance indicator.

16. Adoption of 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 was effective for financial statements for fiscal years beginning after

December 15, 2012. Therefore, the medical center adopted this accounting standard 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 were effective for financial statements for fiscal years beginning after December 15, 2012. Therefore, the medical center adopted these standards at the beginning of fiscal year 2014.

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 was effective for financial statements for fiscal years beginning after June 15, 2013. Therefore, the medical center adopted these standards at the beginning of fiscal year 2014.

The adoption of these accounting standards did not have a material impact on the medical center's consolidated financial statements.

17. New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The statement is effective for financial statements for fiscal years beginning after June 15, 2014. Therefore, the medical center expects to adopt this standard at the beginning of fiscal year 2015.

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 this standard at the beginning of fiscal year 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The primary objective of this statement is to address an issue regarding application

of the transition provisions of Statement No. 68. The statement requires that at transition, an entity recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning of the net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

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.

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 \$145,000 for the year ended June 30, 2014.

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 health care 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) health care 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, 2014, the medical center had net receivables from the federal government (Medicare) of approximately \$1,640,000, and from Medicaid/TennCare of approximately \$430,000.

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 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 2014. As a result, the medical center recognized income of \$316,677 and \$242,005 from Medicaid and Medicare, respectively, in 2014. The medical center received all meaningful use funds related to fiscal year 2014, prior to June 30, 2014; therefore, no receivables were recorded at year-end. The medical center's physician practice also received \$148,750 of meaningful use funds for the first time 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, 2014, is as follows:

Pharmacy	\$ 477,394
Dietary	11,017
Departmental	<u>797,611</u>
 Total	 <u>\$ 1,286,022</u>

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2014, are as follows:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 274,533	\$ 0	\$ 0	\$ 274,533
Construction in Progress	180,134	487,894	385,746	282,282
Total Capital Assets Not Depreciated	<u>\$ 454,667</u>	<u>\$ 487,894</u>	<u>\$ 385,746</u>	<u>\$ 556,815</u>
Capital Assets Depreciated:				
Land Improvements	\$ 202,147	\$ 0	\$ 0	\$ 202,147
Buildings	19,397,848	5,800	0	19,403,648
Equipment	9,536,260	769,248	0	10,305,508
Furniture and Fixtures	324,108	6,249	0	330,357
Assets Under Capital Lease	1,370,842	0	0	1,370,842
Total Capital Assets Depreciated	<u>\$ 30,831,205</u>	<u>\$ 781,297</u>	<u>\$ 0</u>	<u>\$ 31,612,502</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 197,731	\$ 1,115	\$ 0	\$ 198,846
Buildings	6,088,482	720,339	0	6,808,821
Equipment	6,903,274	770,725	0	7,673,999
Furniture and Fixtures	183,019	27,755	0	210,774
Assets Under Capital Lease	1,355,841	15,000	0	1,370,841
Total Accumulated Depreciation	<u>\$ 14,728,347</u>	<u>\$ 1,534,934</u>	<u>\$ 0</u>	<u>\$ 16,263,281</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,102,858</u>	<u>\$ (753,637)</u>	<u>\$ 0</u>	<u>\$ 15,349,221</u>
Total Capital Assets, Net	<u><u>\$ 16,557,525</u></u>	<u><u>\$ (265,743)</u></u>	<u><u>\$ 385,746</u></u>	<u><u>\$ 15,906,036</u></u>

No interest costs were capitalized during the year ended June 30, 2014.

Construction in progress at June 30, 2014, consists primarily of the emergency room electronic documentation system project. Estimated costs to complete this project totaled \$140,000 at June 30, 2014.

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 totaled \$1,681,265 at June 30, 2014. 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, 2014, the annual subsidy was \$80,000, 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, 2014, is as follows:

	Balance 7-1-13	Reductions	Balance 6-30-14	Due Within One Year
Tennessee Valley - Electric Cooperative Series 2007	\$ 107,500	\$ 30,000	\$ 77,500	\$ 30,000
Tennessee Valley - Electric Cooperative Series 2010	596,108	82,224	513,884	82,224
Public Building Authority of the County of Montgomery - Series 2003	5,939,000	247,000	5,692,000	255,000
Capital Lease Obligations	2,011,793	140,190	1,871,603	143,694
Total	\$ 8,654,401	\$ 499,414	\$ 8,154,987	\$ 510,918

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 (.57 percent as of June 30, 2014), and is due May 31, 2031. The variable 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.

A summary of approximate future maturities and interest of long-term debt and capital lease obligations as of June 30, 2014, is as follows:

Year Ending June 30	Principal	Estimated Interest	Total Payments
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	532,000	46,000	578,000
2020-2024	2,561,000	152,000	2,713,000
2025-2029	2,155,000	40,000	2,195,000
2030-2031	831,987	4,000	835,987
Total	<u>\$ 8,154,987</u>	<u>\$ 473,000</u>	<u>\$ 8,627,987</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

For employees hired before July 1, 1986, the medical center has adopted a noncontributory retirement plan by assuming employee contributions up to five percent of annual covered payroll. Employees hired on July 1, 1986, and after are required to contribute five percent of compensation.

The medical center is required to contribute at an actuarially determined rate; the blended contributory and noncontributory rate for the year ended June 30, 2014, was 8.21 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, 2014, the medical center's annual pension cost of \$289,317 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 five-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 at July 1, 2011, was 12 years. An actuarial valuation was performed as of July 1, 2013, which established contribution rates effective July 1, 2014.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-14	\$289,317	100%	\$0
6-30-13	339,869	100	0
6-30-12	386,962	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 82.16 percent funded. The actuarial accrued liability for benefits was approximately \$33.09 million, and the actuarial value of assets was approximately \$27.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$5.9 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.74 million, and the ratio of the UAAL to the covered payroll was 157.92 percent.

The Schedule of Funding Progress 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, 2014, was \$501,673. Employee contributions to the plan for the year ended June 30, 2014, were \$458,076.

I. Commitments and Contingencies

1. Operating Commitments

The medical center leases various equipment and space under operating lease agreements. Rent expense was \$425,533 in 2014. 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 2014.

The medical center generates rental income primarily from operating leases of medical office buildings and houses. Rental income was \$208,043 in 2014, 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 health care 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 Statement of Net Position, related to employee medical and other health care benefits, totaled \$222,772 in 2014.

3. Health Care 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 Statement of Net Position at June 30, 2014. No additional compliance matters were noted in fiscal year 2014.

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, 2014, the medical center recorded a reserve for potential recoveries. The reserve of \$285,674 is included within accrued expenses on the accompanying Statement of Net Position at June 30, 2014. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

4. Health Care 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. Any related interest cost is also added to the cost of the asset as appropriate.

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, 2014.

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, 2014.

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.

Operating revenues and expenses are those that result from providing services. It also includes all revenue 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.

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. It is also insured against possible loss related to acts of district key officers or directors by official statutory bonds carried by the district. The district has had no insurance settlements in excess of insurance coverage during the past three years.

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, 2014, was as follows:

<u>Capital Assets</u>	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 127,150	\$ 13,400	\$ 140,550
Total Capital Assets Not Depreciated	<u>\$ 127,150</u>	<u>\$ 13,400</u>	<u>\$ 140,550</u>
Capital Assets Depreciated:			
Building Improvements	\$ 30,561	\$ 11,158	\$ 41,719
Buildings	1,238,920	158,600	1,397,520
Equipment and Software	1,062,612	32,885	1,095,497
Furniture and Fixtures	44,662	4,924	49,586
Vehicles	50,455	0	50,455
Maps	237,788	0	237,788
Total Capital Assets Depreciated	<u>\$ 2,664,998</u>	<u>\$ 207,567</u>	<u>\$ 2,872,565</u>
Less Accumulated Depreciation For:			
Building Improvements	\$ 5,524	\$ 1,157	\$ 6,681
Buildings	69,584	33,732	103,316
Equipment and Software	692,371	49,115	741,486
Furniture and Fixtures	9,304	4,630	13,934
Vehicles	28,143	5,052	33,195
Maps	175,483	12,823	188,306
Total Accumulated Depreciation	<u>\$ 980,409</u>	<u>\$ 106,509</u>	<u>\$ 1,086,918</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,684,589</u>	<u>\$ 101,058</u>	<u>\$ 1,785,647</u>
Total Capital Assets, Net	<u>\$ 1,811,739</u>	<u>\$ 114,458</u>	<u>\$ 1,926,197</u>

Depreciation expense of \$106,509 was recorded by the district.

In addition to the above capital purchases, additional small equipment purchases (\$34,183) 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, 2014, 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, 2014, the district's annual pension cost of \$14,150 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
6-30-14	\$ 14,450	100%	\$ 0
6-30-13	13,176	100	0
6-30-12	25,676	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 97.79 percent funded. The actuarial accrued liability for benefits was \$.234 million, and the actuarial value of assets was \$.229 million, resulting in an unfunded actuarial accrued liability of \$.005 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.28 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.85 percent.

The Schedule of Funding Progress 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.

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, 2014, 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, 2014, the district's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by pledged collateral).

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, 2014:

	Balance 7-1-13	Payments or Retirements	Balance 6-30-14	Due Within One Year
Revenue Bonds	\$ 1,220,000	\$ 30,000	\$ 1,190,000	\$ 30,000
Unamortized Debt Discounts	(8,332)	308	(8,024)	0
Total	<u>\$ 1,211,668</u>	<u>\$ 30,308</u>	<u>\$ 1,181,976</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, 2014, are as follows:

Year Ending June 30	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
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	35,000	41,356	76,356
2020-2024	180,000	190,944	370,944
2025-2029	210,000	158,625	368,625
2030-2034	255,000	114,907	369,907
2035-2039	315,000	57,088	372,088
2040	75,000	3,187	78,187
Total	<u>\$ 1,190,000</u>	<u>\$ 739,481</u>	<u>\$ 1,929,481</u>

K. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

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 had a positive fund balance at year end.

3. Budget Appropriations

Tennessee statutes prohibit expenses in excess of budget appropriations. Expenses did not exceed budget appropriations for the year at the fund level.

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, 2014, was as follows:

	Balance 7-1-13	Increases	Balance 6-30-14
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	\$ (3,837)	\$ (174)	\$ (4,011)
Total Accumulated Depreciation	<u>\$ (3,837)</u>	<u>\$ (174)</u>	<u>\$ (4,011)</u>
Total Capital Assets Depreciated, Net	<u>\$ 378</u>	<u>\$ (174)</u>	<u>\$ 204</u>
Total Capital Assets, Net	<u><u>\$ 378</u></u>	<u><u>\$ (174)</u></u>	<u><u>\$ 204</u></u>

There were no decreases in capital assets during the year, and depreciation expense of \$174 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 85 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 \$1,500 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 \$69,249 due to HCCVB transactions flowing through THC in prior years.

At year end, THC – NAIA, another related-party nonprofit, owed HCCVB \$18,185 due to HCCVB paying NAIA expenses during prior years.

I. Retirement Plan

HCCVB is a participant in a noncontributory 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 \$2,225.

J. Prior-period Adjustment

HCCVB receives hotel/motel taxes from Hardin County after it is remitted to the county from the State of Tennessee. In the prior year, only the May receivable/revenue was booked. However, HCCVB's policy is to book receivables for 60 days after year-end. Therefore, a prior-period adjustment was made to book the June 2013 receivable/revenue in the prior year.

**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, 2014

(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)
7-1-13	\$ 21,282	\$ 22,215	\$ 933	95.80	% \$ 7,614	12.25 %
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

Exhibit F-2

Hardin County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hardin County School Department
June 30, 2014

(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	7-1-10	\$ 0	\$ 574	574	0%	\$ 4,416	13%
"	7-1-11	0	286	286	0	4,823	6
"	7-1-13	0	158	158	0	4,859	3
<u>DISCRETELY PRESENTED HARDIN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	9,670	9,670	0	14,746	66
"	7-1-11	0	7,902	7,902	0	16,510	48
"	7-1-13	0	8,022	8,022	0	17,372	46

HARDIN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 244	\$ 244
Equity in Pooled Cash and Investments	145,829	86,801	0	232,630
Accounts Receivable	32,016	0	0	32,016
Due from Other Governments	181,068	0	0	181,068
Total Assets	\$ 358,913	\$ 86,801	\$ 244	\$ 445,958
<u>LIABILITIES</u>				
Accounts Payable	\$ 468	\$ 0	\$ 0	\$ 468
Accrued Payroll	21,085	1,956	0	23,041
Payroll Deductions Payable	1,682	148	0	1,830
Due to Other Funds	0	0	244	244
Total Liabilities	\$ 23,235	\$ 2,104	\$ 244	\$ 25,583
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Deferred/Unavailable Revenue	\$ 90,151	\$ 0	\$ 0	\$ 90,151
Total Deferred Inflows of Resources	\$ 90,151	\$ 0	\$ 0	\$ 90,151
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 84,697	\$ 0	\$ 84,697
Committed:				
Committed for Public Health and Welfare	\$ 245,527	\$ 0	\$ 0	\$ 245,527
Total Fund Balances	\$ 245,527	\$ 84,697	\$ 0	\$ 330,224
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 358,913	\$ 86,801	\$ 244	\$ 445,958

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, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>				
Local Taxes	\$ 768,628	\$ 0	\$ 0	\$ 768,628
Fines, Forfeitures, and Penalties	0	23,396	0	23,396
Charges for Current Services	274,015	0	8,580	282,595
Other Local Revenues	76,591	0	0	76,591
State of Tennessee	105,603	4,600	0	110,203
Other Governments and Citizens Groups	4,705	0	0	4,705
Total Revenues	<u>\$ 1,229,542</u>	<u>\$ 27,996</u>	<u>\$ 8,580</u>	<u>\$ 1,266,118</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 0	\$ 8,580	\$ 8,580
Public Safety	0	39,242	0	39,242
Public Health and Welfare	1,127,398	0	0	1,127,398
Other Operations	181,342	15,449	0	196,791
Total Expenditures	<u>\$ 1,308,740</u>	<u>\$ 54,691</u>	<u>\$ 8,580</u>	<u>\$ 1,372,011</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (79,198)</u>	<u>\$ (26,695)</u>	<u>\$ 0</u>	<u>\$ (105,893)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,786	\$ 0	\$ 0	\$ 9,786
Total Other Financing Sources (Uses)	<u>\$ 9,786</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,786</u>
Net Change in Fund Balances	\$ (69,412)	\$ (26,695)	\$ 0	\$ (96,107)
Fund Balance, July 1, 2013	314,939	111,392	0	426,331
Fund Balance, June 30, 2014	<u>\$ 245,527</u>	<u>\$ 84,697</u>	<u>\$ 0</u>	<u>\$ 330,224</u>

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 768,628	\$ 0	\$ 0	\$ 768,628	\$ 935,300	\$ 935,300	\$ (166,672)
Charges for Current Services	274,015	0	0	274,015	291,500	291,500	(17,485)
Other Local Revenues	76,591	0	0	76,591	47,000	47,000	29,591
State of Tennessee	105,603	0	0	105,603	106,195	106,195	(592)
Other Governments and Citizens Groups	4,705	0	0	4,705	6,250	6,250	(1,545)
Total Revenues	\$ 1,229,542	\$ 0	\$ 0	\$ 1,229,542	\$ 1,386,245	\$ 1,386,245	\$ (156,703)
<u>Expenditures</u>							
Public Health and Welfare							
Sanitation Management	\$ 71,369	\$ 0	\$ 0	\$ 71,369	\$ 71,845	\$ 71,845	\$ 476
Waste Pickup	409,823	0	0	409,823	401,696	414,482	4,659
Convenience Centers	292,351	(5,740)	104	286,715	284,100	293,100	6,385
Landfill Operation and Maintenance	353,855	0	1,613	355,468	352,500	362,500	7,032
Other Operations							
Other Charges	70,779	0	0	70,779	73,400	73,400	2,621
Employee Benefits	110,563	0	0	110,563	114,104	114,104	3,541
Total Expenditures	\$ 1,308,740	\$ (5,740)	\$ 1,717	\$ 1,304,717	\$ 1,297,645	\$ 1,329,431	\$ 24,714
Excess (Deficiency) of Revenues Over Expenditures	\$ (79,198)	\$ 5,740	\$ (1,717)	\$ (75,175)	\$ 88,600	\$ 56,814	\$ (131,989)
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 9,786	\$ 0	\$ 0	\$ 9,786	\$ 0	\$ 9,786	\$ 0
Total Other Financing Sources	\$ 9,786	\$ 0	\$ 0	\$ 9,786	\$ 0	\$ 9,786	\$ 0
Net Change in Fund Balance	\$ (69,412)	\$ 5,740	\$ (1,717)	\$ (65,389)	\$ 88,600	\$ 66,600	\$ (131,989)
Fund Balance, July 1, 2013	314,939	(5,740)	0	309,199	292,691	292,691	16,508
Fund Balance, June 30, 2014	\$ 245,527	\$ 0	\$ (1,717)	\$ 243,810	\$ 381,291	\$ 359,291	\$ (115,481)

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 23,396	\$ 31,800	\$ 31,800	\$ (8,404)
State of Tennessee	4,600	3,600	4,600	0
Total Revenues	<u>\$ 27,996</u>	<u>\$ 35,400</u>	<u>\$ 36,400</u>	<u>\$ (8,404)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 39,242	\$ 41,180	\$ 42,180	\$ 2,938
<u>Other Operations</u>				
Other Charges	1,870	1,870	1,870	0
Employee Benefits	13,579	13,847	13,847	268
Total Expenditures	<u>\$ 54,691</u>	<u>\$ 56,897</u>	<u>\$ 57,897</u>	<u>\$ 3,206</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,695)</u>	<u>\$ (21,497)</u>	<u>\$ (21,497)</u>	<u>\$ (5,198)</u>
Net Change in Fund Balance	\$ (26,695)	\$ (21,497)	\$ (21,497)	\$ (5,198)
Fund Balance, July 1, 2013	<u>111,392</u>	<u>112,454</u>	<u>112,454</u>	<u>(1,062)</u>
Fund Balance, June 30, 2014	<u>\$ 84,697</u>	<u>\$ 90,957</u>	<u>\$ 90,957</u>	<u>\$ (6,260)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 230,737	\$ 224,056	\$ 224,056	\$ 6,681
Other Local Revenues	65,886	70,200	70,200	(4,314)
State of Tennessee	18,925	20,000	20,000	(1,075)
Other Governments and Citizens Groups	1,180,311	1,274,755	1,433,629	(253,318)
Total Revenues	<u>\$ 1,495,859</u>	<u>\$ 1,589,011</u>	<u>\$ 1,747,885</u>	<u>\$ (252,026)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 696,150	\$ 696,150	\$ 696,150	\$ 0
Highways and Streets	130,000	130,000	130,000	0
Education	817,274	710,648	817,277	3
<u>Interest on Debt</u>				
General Government	391,713	644,368	644,368	252,655
Highways and Streets	94,399	94,400	94,400	1
Education	61,472	9,352	61,597	125
<u>Other Debt Service</u>				
General Government	48,743	50,000	50,000	1,257
Total Expenditures	<u>\$ 2,239,751</u>	<u>\$ 2,334,918</u>	<u>\$ 2,493,792</u>	<u>\$ 254,041</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (743,892)</u>	<u>\$ (745,907)</u>	<u>\$ (745,907)</u>	<u>\$ 2,015</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 833,056	\$ 833,058	\$ 833,058	\$ (2)
Total Other Financing Sources	<u>\$ 833,056</u>	<u>\$ 833,058</u>	<u>\$ 833,058</u>	<u>\$ (2)</u>
Net Change in Fund Balance	\$ 89,164	\$ 87,151	\$ 87,151	\$ 2,013
Fund Balance, July 1, 2013	1,154,299	1,153,050	1,153,050	1,249
Fund Balance, June 30, 2014	<u>\$ 1,243,463</u>	<u>\$ 1,240,201</u>	<u>\$ 1,240,201</u>	<u>\$ 3,262</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 299,128	\$ 370,000	\$ 370,000	\$ (70,872)
Other Local Revenues	3,819	6,800	6,800	(2,981)
Federal Government	601,767	592,041	592,041	9,726
Other Governments and Citizens Groups	1,703,796	1,805,638	1,805,638	(101,842)
Total Revenues	<u>\$ 2,608,510</u>	<u>\$ 2,774,479</u>	<u>\$ 2,774,479</u>	<u>\$ (165,969)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 825,000	\$ 825,000	\$ 825,000	\$ 0
<u>Interest on Debt</u>				
Education	1,852,732	1,852,734	1,852,734	2
<u>Other Debt Service</u>				
Education	6,381	7,700	7,700	1,319
Total Expenditures	<u>\$ 2,684,113</u>	<u>\$ 2,685,434</u>	<u>\$ 2,685,434</u>	<u>\$ 1,321</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (75,603)</u>	<u>\$ 89,045</u>	<u>\$ 89,045</u>	<u>\$ (164,648)</u>
Net Change in Fund Balance	\$ (75,603)	\$ 89,045	\$ 89,045	\$ (164,648)
Fund Balance, July 1, 2013	1,363,642	1,340,764	1,340,764	22,878
Fund Balance, June 30, 2014	<u>\$ 1,288,039</u>	<u>\$ 1,429,809</u>	<u>\$ 1,429,809</u>	<u>\$ (141,770)</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, 2014

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 538,406	\$ 538,406
Due from Other Governments	513,806	0	513,806
Cash Shortage	0	10,008	10,008
Total Assets	<u>\$ 513,806</u>	<u>\$ 548,414</u>	<u>\$ 1,062,220</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 513,806	\$ 0	\$ 513,806
Due to Litigants, Heirs, and Others	0	548,414	548,414
Total Liabilities	<u>\$ 513,806</u>	<u>\$ 548,414</u>	<u>\$ 1,062,220</u>

Exhibit I-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,834,804	\$ 2,834,804	\$ 0
Due from Other Governments	467,800	513,806	467,800	513,806
Total Assets	\$ 467,800	\$ 3,348,610	\$ 3,302,604	\$ 513,806
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 467,800	\$ 3,348,610	\$ 3,302,604	\$ 513,806
Total Liabilities	\$ 467,800	\$ 3,348,610	\$ 3,302,604	\$ 513,806
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,315,444	\$ 6,914,301	\$ 7,691,339	\$ 538,406
Cash Shortage	15,008	0	5,000	10,008
Total Assets	\$ 1,330,452	\$ 6,914,301	\$ 7,696,339	\$ 548,414
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,330,452	\$ 6,914,301	\$ 7,696,339	\$ 548,414
Total Liabilities	\$ 1,330,452	\$ 6,914,301	\$ 7,696,339	\$ 548,414
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,315,444	\$ 6,914,301	\$ 7,691,339	\$ 538,406
Equity in Pooled Cash and Investments	0	2,834,804	2,834,804	0
Due from Other Governments	467,800	513,806	467,800	513,806
Cash Shortage	15,008	0	5,000	10,008
Total Assets	\$ 1,798,252	\$ 10,262,911	\$ 10,998,943	\$ 1,062,220
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 467,800	\$ 3,348,610	\$ 3,302,604	\$ 513,806
Due to Litigants, Heirs, and Others	1,330,452	6,914,301	7,696,339	548,414
Total Liabilities	\$ 1,798,252	\$ 10,262,911	\$ 10,998,943	\$ 1,062,220

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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 21,757,577	\$ 47,341	\$ 2,232,203	\$ (19,478,033)
Support Services	12,075,389	53,042	842,239	(11,180,108)
Operation of Non-instructional Services	3,272,708	592,105	2,119,354	(561,249)
Total Governmental Activities	\$ 37,105,674	\$ 692,488	\$ 5,193,796	\$ (31,219,390)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 6,521,563
Local Option Sales Taxes				3,642,172
Other Local Taxes				24,353
Grants and Contributions Not Restricted to Specific Programs				16,484,200
Miscellaneous				71,965
Gain on Disposal of Capital Assets				26,773
Total General Revenues				\$ 26,771,026
Change in Net Position				\$ (4,448,364)
Net Position, July 1, 2013				41,427,596
Net Position, June 30, 2014				\$ 36,979,232

Hardin County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Hardin County School Department
 June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Federal Projects		Other	Governmental Funds	
\$	1,207,716	\$ 153,410	\$ 1,149,110	\$	2,510,236	
	49,389	0	8,452		57,841	
	979,557	110,742	0		1,090,299	
	262,669	0	0		262,669	
	6,657,728	0	0		6,657,728	
	(384,336)	0	0		(384,336)	
\$	8,772,723	\$ 264,152	\$ 1,157,562	\$	10,194,437	

ASSETS

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

LIABILITIES

Accounts Payable	12,766	\$	0	\$	26,000	\$	38,766
Payroll Deductions Payable	159,053		0		0		159,053
Due to Other Funds	0		262,669		0		262,669
Due to Primary Government	270,338		0		0		270,338
Total Liabilities	442,157	\$	262,669	\$	26,000	\$	730,826

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	6,024,209	\$	0	\$	0	\$	6,024,209
Deferred Delinquent Property Taxes	216,317		0		0		216,317
Other Deferred/Unavailable Revenue	364,587		0		0		364,587
Total Deferred Inflows of Resources	6,605,113	\$	0	\$	0	\$	6,605,113

(Continued)

Hardin County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hardin County School Department (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	Other	Governmental Funds		
\$	39,265	\$ 1,483	\$ 0	\$ 0	\$ 40,748	
	0	0	290,533		290,533	
	0	0	841,029		841,029	
	366,998	0	0	0	366,998	
	55,797	0	0	0	55,797	
	1,263,393	0	0	0	1,263,393	
\$	1,725,453	\$ 1,483	\$ 1,131,562	\$ 0	2,858,498	
\$	8,772,723	\$ 264,152	\$ 1,157,562	\$ 0	10,194,437	

FUND BALANCES

Restricted:
 Restricted for Education
 Restricted for Operation of Non-instructional Services
 Restricted for Capital Projects
 Committed:
 Committed for Education
 Assigned:
 Assigned for Education
 Unassigned
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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, 2014

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)		\$ 2,858,498
(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	38,994,596	
Add: other capital assets net of accumulated depreciation	<u>501,016</u>	40,645,212
(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.		62,003
(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 on primary government debt for capital lease	\$ (1,646,057)	
Less: compensated absences payable	(594,821)	
Less: other postemployment benefits liability	<u>(4,926,507)</u>	(7,167,385)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>580,904</u>
Net position of governmental activities (Exhibit A)		<u>\$ 36,979,232</u>

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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	Other	Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 10,269,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,269,580
Licenses and Permits	1,426	0	0	0	0	1,426
Charges for Current Services	31,254	0	0	582,460	0	613,714
Other Local Revenues	124,093	0	0	20,360	0	144,453
State of Tennessee	16,329,802	0	0	0	0	16,329,802
Federal Government	392,016	3,277,625	0	1,545,031	0	5,214,672
Total Revenues	\$ 27,148,171	\$ 3,277,625	\$ 2,147,851	\$ 2,147,851	\$ 0	\$ 32,573,647
<u>Expenditures</u>						
Current:						
Instruction	\$ 14,839,427	\$ 2,363,811	\$ 0	\$ 0	\$ 0	\$ 17,203,238
Support Services	10,884,375	927,585	0	0	0	11,811,960
Operation of Non-instructional Services	772,124	0	0	2,277,765	0	3,049,889
Debt Service:						
Other Debt Service	2,285,789	0	0	0	0	2,285,789
Capital Projects	0	0	0	150,727	0	150,727
Total Expenditures	\$ 28,781,715	\$ 3,291,396	\$ 3,291,396	\$ 2,428,492	\$ 0	\$ 34,501,603
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,633,544)	\$ (13,771)	\$ (13,771)	\$ (280,641)	\$ 0	\$ (1,927,956)
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets	\$ 910,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 910,484
Insurance Recovery	30,961	0	0	0	0	30,961
Total Other Financing Sources (Uses)	\$ 941,445	\$ 0	\$ 0	\$ 0	\$ 0	\$ 941,445

(Continued)

Exhibit J-4

Hardin County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hardin County School Department (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	Other	Governmental Funds		
Net Change in Fund Balances	\$ (692,099)	\$ (13,771)	\$ (280,641)	\$		\$ (986,511)
Fund Balance, July 1, 2013	2,417,552	15,254	1,412,203			3,845,009
Fund Balance, June 30, 2014	<u>\$ 1,725,453</u>	<u>\$ 1,483</u>	<u>\$ 1,131,562</u>	<u>\$</u>	<u>\$</u>	<u>2,858,498</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, 2014

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)		\$	(986,511)
(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	\$	369,156	
Less: current-year depreciation expense		<u>(2,486,277)</u>	(2,117,121)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: proceeds received on the disposal of capital assets			(883,711)
(3) 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, 2014	\$	580,904	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(601,638)</u>	(20,734)
(4) The contribution of long-term debt (e.g., leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department 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 lease to the primary government			106,629
(5) 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	\$	(20,044)	
Change in other postemployment benefits liability		<u>(535,587)</u>	(555,631)
(6) 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>8,715</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>(4,448,364)</u></u>

Exhibit J-6

Hardin County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hardin County School Department
June 30, 2014

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 282,081	\$ 867,029	\$ 1,149,110
Accounts Receivable	8,452	0	8,452
Total Assets	<u>\$ 290,533</u>	<u>\$ 867,029</u>	<u>\$ 1,157,562</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 26,000	\$ 26,000
Total Liabilities	<u>\$ 0</u>	<u>\$ 26,000</u>	<u>\$ 26,000</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-instructional Services	\$ 290,533	\$ 0	\$ 290,533
Restricted for Capital Projects	0	841,029	841,029
Total Fund Balances	<u>\$ 290,533</u>	<u>\$ 841,029</u>	<u>\$ 1,131,562</u>
Total Liabilities and Fund Balances	<u>\$ 290,533</u>	<u>\$ 867,029</u>	<u>\$ 1,157,562</u>

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, 2014

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 582,460	\$ 0	\$ 582,460
Other Local Revenues	20,360	0	20,360
Federal Government	1,545,031	0	1,545,031
Total Revenues	<u>\$ 2,147,851</u>	<u>\$ 0</u>	<u>\$ 2,147,851</u>
<u>Expenditures</u>			
Current:			
Operation of Non-instructional Services	\$ 2,277,765	\$ 0	\$ 2,277,765
Capital Projects	0	150,727	150,727
Total Expenditures	<u>\$ 2,277,765</u>	<u>\$ 150,727</u>	<u>\$ 2,428,492</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (129,914)</u>	<u>\$ (150,727)</u>	<u>\$ (280,641)</u>
Net Change in Fund Balances	\$ (129,914)	\$ (150,727)	\$ (280,641)
Fund Balance, July 1, 2013	420,447	991,756	1,412,203
Fund Balance, June 30, 2014	<u>\$ 290,533</u>	<u>\$ 841,029</u>	<u>\$ 1,131,562</u>

Exhibit J-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hardin County School Department
General Purpose School Fund
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 10,269,580	\$ 0	\$ 10,269,580	\$ 10,428,898	\$ 10,093,948	\$ 175,632
Licenses and Permits	1,426	0	1,426	1,100	1,100	326
Charges for Current Services	31,254	0	31,254	25,100	37,100	(5,846)
Other Local Revenues	124,093	0	124,093	1,279,675	1,031,343	(907,250)
State of Tennessee	16,329,802	0	16,329,802	16,291,087	16,305,152	24,650
Federal Government	392,016	0	392,016	409,500	385,316	6,700
Total Revenues	\$ 27,148,171	\$ 0	\$ 27,148,171	\$ 28,435,360	\$ 27,853,959	\$ (705,788)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 11,502,262	\$ 48,213	\$ 11,550,475	\$ 11,735,752	\$ 11,585,539	\$ 35,064
Alternative Instruction Program	214,800	0	214,800	222,718	217,093	2,293
Special Education Program	1,463,544	0	1,463,544	1,438,563	1,476,708	13,164
Vocational Education Program	1,658,821	0	1,658,821	1,390,696	1,673,152	14,331
<u>Support Services</u>						
Attendance	155,048	0	155,048	175,079	155,486	438
Health Services	281,541	0	281,541	318,504	283,279	1,738
Other Student Support	1,398,800	616	1,399,416	1,405,714	1,409,062	9,646
Regular Instruction Program	1,126,531	0	1,126,531	1,171,055	1,129,098	2,567
Alternative Instruction Program	79,922	0	79,922	84,290	81,290	1,368
Special Education Program	158,614	0	158,614	182,594	161,999	3,385
Vocational Education Program	77,092	0	77,092	79,701	77,201	109
Other Programs	196,465	0	196,465	135,000	196,465	0
Board of Education	683,298	0	683,298	683,994	685,294	1,996
Director of Schools	360,798	0	360,798	209,196	366,423	5,625
Office of the Principal	1,653,913	0	1,653,913	1,595,146	1,668,443	14,530

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 191,419	\$ 0	\$ 191,419	\$ 191,096	\$ 192,096	\$ 677
Operation of Plant	2,212,742	1,865	2,214,607	2,100,935	2,225,328	10,721
Maintenance of Plant	531,506	0	531,506	406,204	534,854	3,348
Transportation	1,663,797	0	1,663,797	1,660,761	1,671,272	7,475
Central and Other	112,889	0	112,889	116,140	113,747	858
<u>Operation of Non-instructional Services</u>						
Food Service	227,817	0	227,817	250,528	251,078	23,261
Early Childhood Education	544,307	5,103	549,410	549,315	549,615	205
<u>Principal on Debt</u>						
Education	0	0	0	106,629	0	0
Interest on Debt	0	0	0	52,245	0	0
<u>Other Debt Service</u>						
Education	2,285,789	0	2,285,789	2,173,605	2,294,679	8,890
Total Expenditures	\$ 28,781,715	\$ 55,797	\$ 28,837,512	\$ 28,435,460	\$ 28,999,201	\$ 161,689
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ (1,633,544)	\$ (55,797)	\$ (1,689,341)	\$ (100)	\$ (1,145,242)	\$ (544,099)
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets	\$ 910,484	\$ 0	\$ 910,484	\$ 0	\$ 0	\$ 910,484
Insurance Recovery	30,961	0	30,961	100	29,600	1,361
Total Other Financing Sources	\$ 941,445	\$ 0	\$ 941,445	\$ 100	\$ 29,600	\$ 911,845
Net Change in Fund Balance	\$ (692,099)	\$ (55,797)	\$ (747,896)	\$ 0	\$ (1,115,642)	\$ 367,746
Fund Balance, July 1, 2013	2,417,552	0	2,417,552	2,433,119	2,433,119	(15,567)
Fund Balance, June 30, 2014	\$ 1,725,453	\$ (55,797)	\$ 1,669,656	\$ 2,433,119	\$ 1,317,477	\$ 352,179

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,277,625	\$ 2,575,657	\$ 3,516,482	\$ (238,857)
Total Revenues	\$ 3,277,625	\$ 2,575,657	\$ 3,516,482	\$ (238,857)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,847,699	\$ 1,062,130	\$ 1,971,886	\$ 124,187
Special Education Program	461,832	692,306	466,295	4,463
Vocational Education Program	54,280	52,110	54,280	0
<u>Support Services</u>				
Health Services	0	1,182	4	4
Other Student Support	25,205	32,310	29,386	4,181
Regular Instruction Program	506,176	422,900	590,996	84,820
Special Education Program	267,824	259,513	268,962	1,138
Vocational Education Program	847	1,800	847	0
Office of the Principal	7,707	0	14,000	6,293
Transportation	119,826	51,406	119,826	0
Total Expenditures	\$ 3,291,396	\$ 2,575,657	\$ 3,516,482	\$ 225,086
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,771)	\$ 0	\$ 0	\$ (13,771)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 88,128	\$ 712	\$ (712)
Transfers Out	0	(88,128)	(712)	712
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (13,771)	\$ 0	\$ 0	\$ (13,771)
Fund Balance, July 1, 2013	15,254	9,979	9,979	5,275
Fund Balance, June 30, 2014	\$ 1,483	\$ 9,979	\$ 9,979	\$ (8,496)

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 582,460	\$ 685,000	\$ 685,000	\$ (102,540)
Other Local Revenues	20,360	23,000	23,000	(2,640)
Federal Government	1,545,031	1,703,000	1,703,000	(157,969)
Total Revenues	<u>\$ 2,147,851</u>	<u>\$ 2,411,000</u>	<u>\$ 2,411,000</u>	<u>\$ (263,149)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 2,277,765	\$ 2,647,930	\$ 2,647,930	\$ 370,165
Total Expenditures	<u>\$ 2,277,765</u>	<u>\$ 2,647,930</u>	<u>\$ 2,647,930</u>	<u>\$ 370,165</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (129,914)</u>	<u>\$ (236,930)</u>	<u>\$ (236,930)</u>	<u>\$ 107,016</u>
Net Change in Fund Balance	\$ (129,914)	\$ (236,930)	\$ (236,930)	\$ 107,016
Fund Balance, July 1, 2013	<u>420,447</u>	<u>407,301</u>	<u>407,301</u>	<u>13,146</u>
Fund Balance, June 30, 2014	<u>\$ 290,533</u>	<u>\$ 170,371</u>	<u>\$ 170,371</u>	<u>\$ 120,162</u>

Exhibit J-11

Hardin County, Tennessee
Statement of Net Position
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2014

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 71,398
Total Assets	<u>\$ 71,398</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 9,395
Total Liabilities	<u>\$ 9,395</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 62,003</u>
Total Net Position	<u><u>\$ 62,003</u></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, 2014

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance Fund</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 238,456
Total Operating Revenues	<u>\$ 238,456</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 16,947
Medical Claims	<u>212,794</u>
Total Operating Expenses	<u>\$ 229,741</u>
Operating Income	<u>\$ 8,715</u>
Change in Net Position	\$ 8,715
Net Position, July 1, 2013	<u>53,288</u>
Net Position, June 30, 2014	<u><u>\$ 62,003</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, 2014

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Self-Insurance Premiums	\$ 239,018
Payments to Fiscal Agents	(16,947)
Payments for Claims	(211,859)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 10,212</u>
Increase (Decrease) in Cash	\$ 10,212
Cash, July 1, 2013	<u>61,186</u>
Cash, June 30, 2014	<u><u>\$ 71,398</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 8,715
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	561
Increase in Accounts Payable	<u>936</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 10,212</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 71,398</u>
Cash, June 30, 2014	<u><u>\$ 71,398</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, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Courthouse Renovations, Series 2009	\$ 735,000	3.5	5-20-09	5-20-14	\$ 147,000	\$ 0	\$ 147,000	\$ 0
Energy Efficiency Loan - Courthouse Renovations	27,650	0	6-11-09	7-31-16	15,800	0	3,950	11,850
Capital Outlay Note, Series 2009 - School Buses	305,000	3.46	9-1-09	8-27-13	122,000	0	122,000	0
Capital Outlay Note, Series 2010 - Solid Waste Trucks	291,000	2.8	8-31-10	3-1-15	116,400	0	58,200	58,200
Capital Outlay Note, Series 2010 - School Buses	385,000	2.8	8-31-10	8-27-13	231,000	0	231,000	0
Capital Outlay Note, Series 2011 - School Buses	417,253	2.15	9-30-11	9-27-13	357,645	0	357,645	0
Total Notes Payable					\$ 989,845	\$ 0	\$ 919,795	\$ 70,050
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Fire Trucks	429,882	4.75	11-21-05	11-21-15	\$ 123,254	\$ 0	\$ 49,296	\$ 73,958
Fire Trucks	495,000	5.38	7-31-07	7-31-17	234,560	0	52,782	181,778
Fire Truck	224,189	5.1	6-28-10	2-15-20	166,563	0	20,398	146,165
Sheriff Vehicles	96,470	6	11-18-11	11-18-13	32,120	0	32,120	0
Sheriff Vehicle	34,529	6.49	12-7-11	12-7-13	11,494	0	11,494	0
Commercial Pumper	241,750	3.79	3-31-14	5-1-23	0	241,750	27,721	214,029
Total Payable through General Fund					\$ 567,991	\$ 241,750	\$ 193,811	\$ 615,930
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
Energy Management Project	1,782,319	3.05	6-20-12	11-20-26	\$ 1,752,686	\$ 0	\$ 106,629	\$ 1,646,057
Total Capital Leases Payable					\$ 2,320,677	\$ 241,750	\$ 300,440	\$ 2,261,987

(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 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
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	\$ 7,395,000	\$ 0	\$ 230,000	\$ 7,165,000
General Obligation Bonds, Series 2008	5,000,000	3.85	2-14-08	6-1-37	4,250,000	0	140,000	4,110,000
Total Payable through General Debt Service Fund					\$ 11,645,000	\$ 0	\$ 370,000	\$ 11,275,000
<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	0	\$ 10,000,000
G.O. BAB School Bonds, Series 2009B	20,000,000	3.78	10-20-09	6-1-44	19,145,000	0	460,000	18,685,000
G.O. BAB School Bonds, Series 2010	6,000,000	2.84	3-25-10	6-1-26	5,105,000	0	365,000	4,740,000
Total Payable through Rural Debt Service Fund					\$ 34,250,000	\$ 0	\$ 825,000	\$ 33,425,000
Total Bonds Payable					\$ 45,895,000	\$ 0	\$ 1,195,000	\$ 44,700,000

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 62,150	\$ 1,630	\$ 63,780
2016	3,950	0	3,950
2017	3,950	0	3,950
Total	\$ 70,050	\$ 1,630	\$ 71,680

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2015	\$ 259,137	\$ 75,330	\$ 334,467
2016	238,045	64,870	302,915
2017	224,462	55,919	280,381
2018	173,417	48,192	221,609
2019	173,947	42,321	216,268
2020	180,004	36,262	216,266
2021	157,399	29,984	187,383
2022	162,435	24,948	187,383
2023	167,631	19,751	187,382
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	\$ 2,261,987	\$ 428,124	\$ 2,690,111

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 44,700,000	\$ 38,757,316	\$ 83,457,316

Exhibit K-3

Hardin County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	General Debt Service "	Debt retirement "	\$ 608,657 224,399
Total Transfers			<u>\$ 833,056</u>

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, 2014

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	\$ 77,029 (1)	\$ 50,000	CNA Surety Company
Highway Commissioner	Section 8-24-102, TCA	72,195	100,000	Western Surety Company
Director of Schools:				
John Thomas (7-1-13 through 3-10-14)	State Board of Education and Hardin County Board of Education	193,258 (2)	150,000	Tennessee Risk Management Trust
Michael Davis (3-11-14 through 6-30-14)	State Board of Education and Hardin County Board of Education	27,185 (3)	150,000	"
Trustee	Section 8-24-102, TCA	65,631	1,108,100	Auto Owners Insurance
Assessor of Property	Section 8-24-102, TCA	65,631	10,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	65,631	50,000	CNA Surety Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	65,631	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	65,631 (4)	105,000	Western Surety Company
Register of Deeds	Section 8-24-102, TCA	65,631	25,000	CNA Surety Company
Sheriff	Section 8-24-102, TCA	72,195 (5)	25,000	"
Employee Blanket Bonds:				
Office of County Mayor:				
Director of Accounts and Budget			100,000	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 \$456, contract buy out payments of \$26,729, and a termination agreement payment of \$103,000.
 (3) Includes a chief executive officer training supplement of \$456.
 (4) Does not include special commissioner fees of \$8,580.
 (5) 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, 2014

	Special Revenue Funds					Debt Service Funds	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 4,605,400	\$ 0	\$ 0	\$ 0	\$ 615,300	\$ 205,096	
Trustee's Collections - Prior Year	235,318	0	0	0	31,440	10,479	
Circuit/Clerk and Master Collections - Prior Years	146,957	0	0	0	19,634	6,545	
Interest and Penalty	106,606	0	0	0	14,382	4,798	
Payments in-Lieu-of Taxes - T.V.A.	1,662	0	0	0	222	74	
Payments in-Lieu-of Taxes - Local Utilities	1,407	0	0	0	188	63	
Payments in-Lieu-of Taxes - Other	29,091	0	0	0	3,887	1,296	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	4,101	448,692	0	0	0	0	
Hotel/Motel Tax	201,592	0	0	0	0	0	
Wheel Tax	981,104	0	0	0	114,367	0	
Litigation Tax - General	119,366	0	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse	30,628	0	0	0	0	0	
Business Tax	238,140	0	0	0	0	0	
Mixed Drink Tax	24,365	0	0	0	0	0	
Mineral Severance Tax	0	0	0	0	36,622	0	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	53,580	0	0	0	7,158	2,386	
Wholesale Beer Tax	0	318,786	0	0	0	0	
Interstate Telecommunications Tax	0	1,150	0	0	0	0	
Total Local Taxes	\$ 6,779,317	\$ 768,628	\$ 0	\$ 0	\$ 843,200	\$ 230,737	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 1,424	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Cable TV Franchise	99,131	0	0	0	0	0	

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits	4,940 \$	0 \$	0 \$	0 \$	0 \$	0
Total Licenses and Permits	105,495 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	3,567 \$	0 \$	0 \$	0 \$	0 \$	0
Officers Costs	8,388	0	0	0	0	0
Drug Control Fines	0	0	3,203	0	0	0
Drug Court Fees	1,109	0	0	0	0	0
DUI Treatment Fines	522	0	0	0	0	0
Data Entry Fee - Circuit Court	1,256	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	43,308	0	0	0	0	0
Fines for Littering	142	0	0	0	0	0
Officers Costs	58,456	0	0	0	0	0
Game and Fish Fines	1,264	0	0	0	0	0
Drug Control Fines	24,699	0	3,087	0	0	0
Drug Court Fees	8,950	0	0	0	0	0
Jail Fees	6,320	0	0	0	0	0
DUI Treatment Fines	12,114	0	0	0	0	0
Data Entry Fee - General Sessions Court	11,833	0	0	0	0	0
Courtroom Security Fee	1,526	0	0	0	0	0
<u>Chancery Court</u>						
Data Entry Fee - Chancery Court	4,804	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0 \$	0 \$	17,106 \$	0 \$	0 \$	0
Other Fines, Forfeitures, and Penalties	60	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 188,318 \$	0 \$	23,396 \$	0 \$	0 \$	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	0 \$	272,852 \$	0 \$	0 \$	0 \$	0
Other General Service Charges	22,206	1,163	0	0	0	0
<u>Fees</u>						
Library Fees	8,066	0	0	0	0	0
Greenbelt Late Application Fee	300	0	0	0	0	0
Telephone Commissions	95,109	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	8,580	0	0
Data Processing Fee - Register	10,568	0	0	0	0	0
Data Processing Fee - Sheriff	4,260	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	2,250	0	0	0	0	0
Data Processing Fee - County Clerk	3,672	0	0	0	0	0
Total Charges for Current Services	\$ 146,431 \$	274,015 \$	0 \$	8,580 \$	0 \$	0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	52,447 \$	0 \$	0 \$	0 \$	0 \$	0
Lease/Rentals	89,119	0	0	0	0	43,200
Sale of Maps	10	0	0	0	0	0
Sale of Recycled Materials	0	75,841	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
E-Rate Funding	4,198 \$	0 \$	0 \$	0 \$	0 \$	0
Miscellaneous Refunds	47,119	0	0	0	26	0
<u>Nonrecurring Items</u>						
Sale of Equipment	15,707	750	0	0	0	0
Sale of Property	1,606	0	0	0	0	0
Contributions and Gifts	21,678	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	22,686
Total Other Local Revenues	231,884 \$	76,591 \$	0 \$	0 \$	26 \$	65,886
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	330,257 \$	0 \$	0 \$	0 \$	0 \$	0
Circuit Court Clerk	69,598	0	0	0	0	0
General Sessions Court Clerk	243,893	0	0	0	0	0
Clerk and Master	116,986	0	0	0	0	0
Register	122,558	0	0	0	0	0
Sheriff	11,829	0	0	0	0	0
Trustee	424,010	0	0	0	0	0
Total Fees Received from County Officials	1,319,131 \$	0 \$	0 \$	0 \$	0 \$	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	4,590 \$	0 \$	0 \$	0 \$	0 \$	0
Aging Programs	30,892	0	0	0	0	0
Solid Waste Grants	0	17,363	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>State of Tennessee (Cont.)</u>						
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	\$ 13,200	\$ 0	\$ 4,600	\$ 0	\$ 0	\$ 0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	365,725	0
State Aid Program	0	0	0	0	177,189	0
Litter Program	40,400	0	0	0	0	0
Other Public Works Grants	0	0	0	0	102,464	0
<u>Other State Revenues</u>						
Income Tax	92,607	0	0	0	0	0
Resort District Sales Tax	772,775	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0
Vehicle Certificate of Title Fees	781	0	0	0	0	0
Alcoholic Beverage Tax	59,999	0	0	0	0	0
State Revenue Sharing - T.V.A.	424,962	0	0	0	56,776	18,925
Contracted Prisoner Boarding	513,412	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,819,399	0
Petroleum Special Tax	0	0	0	0	18,779	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	34,984	88,240	0	0	0	0
Other State Revenues	130,409	0	0	0	0	0
Total State of Tennessee	\$ 2,151,981	\$ 105,603	\$ 4,600	\$ 0	\$ 2,540,332	\$ 18,925
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 636,439	\$ 0	\$ 0	\$ 0	\$ 297,369	\$ 0
Disaster Relief	0	0	0	0	268,739	0
Homeland Security Grants	31,300	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Funds
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Federal Government (Cont.)</u>						
Direct Federal Revenue						
Tax Credit Bond Rebate	0 \$	0 \$	0 \$	0 \$	0 \$	0
Other Direct Federal Revenue	19,078	0	0	0	0	0
Total Federal Government	\$ 686,817	\$ 0	\$ 0	\$ 0	\$ 566,108	\$ 0
<u>Other Governments and Citizens Groups</u>						
Other Governments						
Prisoner Board	5,136	0	0	0	0	0
Contributions	1,000	0	0	0	0	1,180,311
Contracted Services	47,529	4,705	0	0	0	0
Citizens Groups						
Donations	25,725	0	0	0	0	0
Other	75,494	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 154,884	\$ 4,705	\$ 0	\$ 0	\$ 0	\$ 1,180,311
Total	\$ 11,764,258	\$ 1,229,542	\$ 27,996	\$ 8,580	\$ 3,949,666	\$ 1,495,859

(Continued)

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

	Debt Service Fund (Cont.)		Total
	Rural	Debt Service	
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$	0 \$	5,425,796
Trustee's Collections - Prior Year		0	277,237
Circuit/Clerk and Master Collections - Prior Years		0	173,136
Interest and Penalty		0	125,786
Payments in-Lieu-of Taxes - T.V.A.		0	1,958
Payments in-Lieu-of Taxes - Local Utilities		0	1,658
Payments in-Lieu-of Taxes - Other		0	34,274
<u>County Local Option Taxes</u>			
Local Option Sales Tax		299,128	751,921
Hotel/Motel Tax		0	201,592
Wheel Tax		0	1,095,471
Litigation Tax - General		0	119,366
Litigation Tax - Jail, Workhouse, or Courthouse		0	30,628
Business Tax		0	238,140
Mixed Drink Tax		0	24,365
Mineral Severance Tax		0	36,622
<u>Statutory Local Taxes</u>			
Bank Excise Tax		0	63,124
Wholesale Beer Tax		0	318,786
Interstate Telecommunications Tax		0	1,150
Total Local Taxes	\$	299,128 \$	8,921,010
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$	0 \$	1,424
Cable TV Franchise		0	99,131

(Continued)

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

	Debt Service Fund (Cont.)		Total
	Rural Debt	Service	
<u>Licenses and Permits (Cont.)</u>			
<u>Permits</u>			
Beer Permits	0 \$		4,940
Total Licenses and Permits	0 \$		105,495
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines			
Officers Costs	0 \$		3,567
Drug Control Fines	0		8,388
Drug Court Fees	0		3,203
DUI Treatment Fines	0		1,109
Data Entry Fee - Circuit Court	0		522
General Sessions Court	0		1,256
Fines			
Fines for Littering	0		43,308
Officers Costs	0		142
Game and Fish Fines	0		58,456
Drug Control Fines	0		1,264
Drug Court Fees	0		27,786
Jail Fees	0		8,950
DUI Treatment Fines	0		6,320
Data Entry Fee - General Sessions Court	0		12,114
Courtroom Security Fee	0		11,833
<u>Chancery Court</u>	0		1,526
Data Entry Fee - Chancery Court	0		4,804

(Continued)

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

	Debt Service Fund (Cont.)		Total
	Rural	Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	\$	0 \$	17,106
Other Fines, Forfeitures, and Penalties		0	60
Total Fines, Forfeitures, and Penalties	\$	0 \$	211,714
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Commercial and Industrial Waste Collection Charge	\$	0 \$	272,852
Other General Service Charges		0	23,369
<u>Fees</u>			
Library Fees		0	8,066
Greenbelt Late Application Fee		0	300
Telephone Commissions		0	95,109
Constitutional Officers' Fees and Commissions		0	8,580
Data Processing Fee - Registrar		0	10,568
Data Processing Fee - Sheriff		0	4,260
Sexual Offender Registration Fee - Sheriff		0	2,250
Data Processing Fee - County Clerk		0	3,672
Total Charges for Current Services	\$	0 \$	429,026
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$	3,819 \$	56,266
Lease/Rentals		0	132,319
Sale of Maps		0	10
Sale of Recycled Materials		0	75,841

(Continued)

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

	Debt Service Fund (Cont.)		Total
	Rural Debt	Service	
<u>Other Local Revenues (Cont.)</u>			
<u>Recurring Items (Cont.)</u>			
E-Rate Funding	0 \$		4,198
Miscellaneous Refunds	0		47,145
<u>Nonrecurring Items</u>			
Sale of Equipment	0		16,457
Sale of Property	0		1,606
Contributions and Gifts	0		21,678
<u>Other Local Revenues</u>			
Other Local Revenues	0		22,686
Total Other Local Revenues	<u>3,819 \$</u>		<u>378,206</u>
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0 \$		330,257
Circuit Court Clerk	0		69,598
General Sessions Court Clerk	0		243,893
Clerk and Master	0		116,986
Register	0		122,558
Sheriff	0		11,829
Trustee	0		424,010
Total Fees Received from County Officials	<u>0 \$</u>		<u>1,319,131</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	0 \$		4,590
Aging Programs	0		30,892
Solid Waste Grants	0		17,363

(Continued)

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

	Debt Service Fund (Cont.)		Total
	Rural	Debt Service	
<u>State of Tennessee (Cont.)</u>			
Public Safety Grants			
Law Enforcement Training Programs	\$	0 \$	17,800
Public Works Grants			
Bridge Program		0	365,725
State Aid Program		0	177,189
Litter Program		0	40,400
Other Public Works Grants		0	102,464
Other State Revenues			
Income Tax		0	92,607
Resort District Sales Tax		0	772,775
Beer Tax		0	17,806
Vehicle Certificate of Title Fees		0	781
Alcoholic Beverage Tax		0	59,999
State Revenue Sharing - T.V.A.		0	500,663
Contracted Prisoner Boarding		0	513,412
Gasoline and Motor Fuel Tax		0	1,819,399
Petroleum Special Tax		0	18,779
Registrar's Salary Supplement		0	15,164
Other State Grants		0	123,224
Other State Revenues		0	130,409
Total State of Tennessee	\$	0 \$	4,821,441
Federal Government			
Federal Through State			
Community Development	\$	0 \$	933,808
Disaster Relief		0	268,739
Homeland Security Grants		0	31,300

(Continued)

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

	Debt Service Fund (Cont.)		Total
	Rural	Debt Service	
<u>Federal Government (Cont.)</u>			
<u>Direct Federal Revenue</u>			
Tax Credit Bond Rebate		\$ 601,767	\$ 601,767
Other Direct Federal Revenue		0	19,078
Total Federal Government		\$ 601,767	\$ 1,854,692
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Prisoner Board		0	\$ 5,136
Contributions		1,703,796	2,885,107
Contracted Services		0	52,234
<u>Citizens Groups</u>			
Donations		0	25,725
Other		0	75,494
Total Other Governments and Citizens Groups		\$ 1,703,796	\$ 3,043,696
Total		\$ 2,608,510	\$ 21,084,411

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, 2014

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,885,729	\$ 0	\$ 0	\$ 0	\$ 5,885,729
Trustee's Collections - Prior Year	300,738	0	0	0	300,738
Circuit/Clerk and Master Collections - Prior Years	187,812	0	0	0	187,812
Interest and Penalty	137,604	0	0	0	137,604
Payments in-Lieu-of Taxes - T.V.A.	2,124	0	0	0	2,124
Payments in-Lieu-of Taxes - Local Utilities	1,798	0	0	0	1,798
Payments in-Lieu-of Taxes - Other	37,178	0	0	0	37,178
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,623,756	0	0	0	3,623,756
Mixed Drink Tax	24,365	0	0	0	24,365
Statutory Local Taxes					
Bank Excise Tax	68,476	0	0	0	68,476
<u>Total Local Taxes</u>	\$ 10,269,580	\$ 0	\$ 0	\$ 0	\$ 10,269,580
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,426	\$ 0	\$ 0	\$ 0	\$ 1,426
<u>Total Licenses and Permits</u>	\$ 1,426	\$ 0	\$ 0	\$ 0	\$ 1,426
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 165,520	\$ 0	\$ 165,520
Lunch Payments - Adults	0	0	79,180	0	79,180
Income from Breakfast	0	0	38,011	0	38,011

(Continued)

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
A la carte Sales	\$ 0	\$ 0	\$ 274,951	\$	274,951
Receipts from Individual Schools	18,218	0	0		18,218
Other Charges for Services	13,036	0	24,798		37,834
Other Charges for Services	31,254	0	582,460	\$	613,714
<u>Total Charges for Current Services</u>					
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 1,455	\$	1,455
Lease/Rentals	1,150	0	0		1,150
Miscellaneous Refunds	7,704	0	18,905		26,609
<u>Nonrecurring Items</u>					
Sale of Property	1,218	0	0		1,218
Damages Recovered from Individuals	609	0	0		609
Contributions and Gifts	43,529	0	0		43,529
<u>Other Local Revenues</u>					
Other Local Revenues	69,883	0	0		69,883
<u>Total Other Local Revenues</u>	\$ 124,093	\$ 0	\$ 20,360	\$	144,453
<u>State of Tennessee</u>					
General Government Grants	\$ 196,465	\$ 0	\$ 0	\$	196,465
On-behalf Contributions for OPEB					

(Continued)

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 14,447,000	\$ 0	\$ 0	\$ 0	\$ 14,447,000
Early Childhood Education	547,315	0	0	0	547,315
School Food Service	20,391	0	0	0	20,391
Driver Education	26,425	0	0	0	26,425
Other State Education Funds	337,305	0	0	0	337,305
Career Ladder Program	172,066	0	0	0	172,066
Career Ladder - Extended Contract	37,122	0	0	0	37,122
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	543,103	0	0	0	543,103
Other State Grants	2,610	0	0	0	2,610
Total State of Tennessee	\$ 16,329,802	\$ 0	\$ 0	\$ 0	\$ 16,329,802
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,005,481	\$ 0	\$ 1,005,481
USDA - Commodities	0	0	121,154	0	121,154
Breakfast	0	0	399,760	0	399,760
USDA - Other	0	0	18,636	0	18,636
Vocational Education - Basic Grants to States	0	70,911	0	0	70,911
Title I Grants to Local Education Agencies	0	1,424,195	0	0	1,424,195
Special Education - Grants to States	9,439	840,682	0	0	850,121
Safe and Drug-free Schools - State Grants	0	288,000	0	0	288,000
Rural Education	0	62,165	0	0	62,165
Eisenhower Professional Development State Grants	0	205,007	0	0	205,007

(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			Total
		School Federal Projects	Central Cafeteria		
Federal Government (Cont.)					
Federal Through State (Cont.)					
Race-to-the-Top - ARRA	\$ 0	\$ 386,665	\$ 0	\$ 0	\$ 386,665
Other Federal through State	1,417	0	0	0	1,417
Direct Federal Revenue	381,160	0	0	0	381,160
Other Direct Federal Revenue	392,016	3,277,625	1,545,031	\$	5,214,672
Total	\$ 27,148,171	\$ 3,277,625	\$ 2,147,851	\$	32,573,647

Exhibit K-7

Hardin County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Clerical Personnel	\$	7,138	
Board and Committee Members Fees		36,723	
Audit Services		7,808	
Dues and Memberships		1,700	
Operating Lease Payments		4,431	
Legal Services		525	
Travel		4,073	
Other Charges		2,578	
Total County Commission			\$ 64,976

Board of Equalization

Board and Committee Members Fees	\$	1,200	
Total Board of Equalization			1,200

Beer Board

Board and Committee Members Fees	\$	3,100	
Office Supplies		322	
Total Beer Board			3,422

Other Boards and Committees

Board and Committee Members Fees	\$	1,300	
Total Other Boards and Committees			1,300

County Mayor/Executive

County Official/Administrative Officer	\$	75,805	
Secretary(ies)		26,275	
Clerical Personnel		13,199	
Educational Incentive - Other County Employees		9,750	
Other Fringe Benefits		6,000	
Communication		3,764	
Postal Charges		4,595	
Travel		3,685	
Office Supplies		4,543	
Office Equipment		2,500	
Total County Mayor/Executive			150,116

County Attorney

Legal Services	\$	1,278	
Total County Attorney			1,278

Election Commission

County Official/Administrative Officer	\$	65,875	
Deputy(ies)		19,061	
Part-time Personnel		158	
Board and Committee Members Fees		2,760	
Election Workers		1,945	
In-service Training		3,157	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	1,805	
Data Processing Services		22,098	
Legal Notices, Recording, and Court Costs		464	
Postal Charges		34	
Printing, Stationery, and Forms		4,589	
Travel		3,626	
Office Supplies		1,835	
Data Processing Equipment		1,540	
Office Equipment		3,100	
Total Election Commission			\$ 132,047

Register of Deeds

County Official/Administrative Officer	\$	65,631	
Deputy(ies)		48,400	
Communication		2,329	
Contracts with Private Agencies		1,154	
Data Processing Services		10,409	
Postal Charges		300	
Travel		1,100	
Other Contracted Services		6,500	
Office Supplies		5,884	
Office Equipment		2,865	
Total Register of Deeds			144,572

County Buildings

Custodial Personnel	\$	95,071	
Communication		873	
Engineering Services		2,104	
Maintenance and Repair Services - Buildings		40,860	
Maintenance and Repair Services - Equipment		1,989	
Pest Control		1,768	
Custodial Supplies		10,437	
Food Supplies		3,894	
Gasoline		4,502	
Small Tools		498	
Utilities		74,956	
Other Supplies and Materials		1,395	
Building and Contents Insurance		1,500	
Liability Insurance		260,643	
Premiums on Corporate Surety Bonds		3,755	
Other Charges		22,727	
Building Improvements		106,787	
Land		22,016	
Maintenance Equipment		2,279	
Other Capital Outlay		147,998	
Total County Buildings			806,052

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	49,329	
Clerical Personnel		45,461	
In-service Training		500	
Communication		976	
Data Processing Services		7,521	
Printing, Stationery, and Forms		1,000	
Travel		981	
Office Supplies		3,572	
Office Equipment		495	
Total Accounting and Budgeting			\$ 109,835

Property Assessor's Office

County Official/Administrative Officer	\$	65,631	
Secretary(ies)		24,957	
Clerical Personnel		61,643	
Other Salaries and Wages		5,435	
Communication		1,035	
Contracts with Government Agencies		1,901	
Contracts with Private Agencies		16,625	
Data Processing Services		7,658	
Postal Charges		919	
Travel		2,684	
Office Supplies		6,100	
Total Property Assessor's Office			194,588

Reappraisal Program

Other Salaries and Wages	\$	14,000	
Data Processing Services		5,125	
Postal Charges		385	
Travel		4,948	
Office Supplies		1,978	
Total Reappraisal Program			26,436

County Trustee's Office

County Official/Administrative Officer	\$	65,631	
Deputy(ies)		25,163	
Part-time Personnel		19,364	
Other Salaries and Wages		19,285	
Communication		2,262	
Data Processing Services		20,801	
Dues and Memberships		1,078	
Postal Charges		5,700	
Travel		590	
Office Supplies		2,097	
Total County Trustee's Office			161,971

(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

County Official/Administrative Officer	\$	65,631	
Deputy(ies)		47,837	
Clerical Personnel		80,571	
Part-time Personnel		11,701	
Educational Incentive - Other County Employees		1,500	
Communication		2,111	
Data Processing Services		17,617	
Postal Charges		6,540	
Travel		1,100	
Office Supplies		6,586	
Office Equipment		500	
Total County Clerk's Office			\$ 241,694

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	65,631	
Deputy(ies)		143,896	
Clerical Personnel		26,275	
Part-time Personnel		10,408	
Jury and Witness Expense		7,575	
Audit Services		3,531	
Communication		1,897	
Data Processing Services		10,142	
Postal Charges		2,563	
Travel		442	
Office Supplies		10,947	
Other Charges		1,565	
Total Circuit Court			284,872

General Sessions Court

Judge(s)	\$	111,857	
Secretary(ies)		24,936	
Communication		1,232	
Travel		2,193	
Other Contracted Services		300	
Office Supplies		1,661	
Total General Sessions Court			142,179

Drug Court

Remittance of Revenue Collected	\$	18,207	
Total Drug Court			18,207

Chancery Court

County Official/Administrative Officer	\$	65,631	
Deputy(ies)		25,048	
Educational Incentive - Other County Employees		1,500	
Other Salaries and Wages		18,186	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Communication	\$	657	
Data Processing Services		3,921	
Postal Charges		400	
Travel		1,483	
Office Supplies		5,457	
Data Processing Equipment		1,120	
Total Chancery Court			\$ 123,403

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	72,195	
Assistant(s)		26,416	
Deputy(ies)		688,476	
Salary Supplements		12,600	
Secretary(ies)		28,379	
Part-time Personnel		57,416	
Other Salaries and Wages		29,204	
In-service Training		3,247	
Communication		10,000	
Data Processing Services		20,839	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		2,500	
Maintenance and Repair Services - Vehicles		56,464	
Travel		4,117	
Other Contracted Services		49,314	
Gasoline		130,042	
Instructional Supplies and Materials		7,444	
Law Enforcement Supplies		8,479	
Office Supplies		8,733	
Uniforms		14,436	
Utilities		2,231	
Communication Equipment		7,425	
Law Enforcement Equipment		3,500	
Motor Vehicles		81,230	
Total Sheriff's Department			1,326,687

Traffic Control

Deputy(ies)	\$	14,629	
Other Fringe Benefits		6,727	
Total Traffic Control			21,356

Administration of the Sexual Offender Registry

Office Supplies	\$	1,044	
Total Administration of the Sexual Offender Registry			1,044

Jail

Guards	\$	650,516	
--------	----	---------	--

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Attendants	\$	1,000	
Part-time Personnel		116,114	
Other Salaries and Wages		24,628	
In-service Training		1,760	
Communication		9,698	
Contracts with Private Agencies		5,586	
Legal Services		3,960	
Maintenance and Repair Services - Buildings		50,826	
Medical and Dental Services		167,572	
Other Contracted Services		25,240	
Custodial Supplies		27,463	
Food Preparation Supplies		5,403	
Food Supplies		167,131	
Office Supplies		5,647	
Prisoners Clothing		5,549	
Uniforms		6,798	
Utilities		148,297	
Other Supplies and Materials		26,608	
Other Charges		55,796	
Building Improvements		44,857	
Total Jail			\$ 1,550,449

Juvenile Services

Youth Service Officer(s)	\$	43,890	
Educational Assistants		29,908	
Other Salaries and Wages		23,707	
In-service Training		1,640	
Communication		2,087	
Data Processing Services		2,250	
Transportation - Other than Students		226	
Travel		500	
Office Supplies		4,447	
Total Juvenile Services			108,655

Fire Prevention and Control

Captain(s)	\$	42,621	
Mechanic(s)		128,964	
Part-time Personnel		22,971	
Other Salaries and Wages		4,414	
In-service Training		11,681	
Communication		6,496	
Maintenance and Repair Services - Buildings		2,480	
Maintenance and Repair Services - Equipment		7,985	
Maintenance and Repair Services - Vehicles		59,371	
Travel		2,000	
Remittance of Revenue Collected		24,352	
Other Contracted Services		19,651	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Drugs and Medical Supplies	\$	927	
Gasoline		44,452	
Instructional Supplies and Materials		2,605	
Office Supplies		2,188	
Uniforms		5,492	
Utilities		42,840	
Other Supplies and Materials		2,360	
Building Construction		24,178	
Building Improvements		2,000	
Motor Vehicles		789,787	
Site Development		8,597	
Other Equipment		46,291	
Other Capital Outlay		45,272	
Total Fire Prevention and Control			\$ 1,349,975

Civil Defense

Assistant(s)	\$	30,938	
Supervisor/Director		6,710	
Clerical Personnel		19,202	
Part-time Personnel		9,927	
Communication		344	
Maintenance and Repair Services - Equipment		681	
Maintenance and Repair Services - Vehicles		713	
Travel		999	
Equipment and Machinery Parts		3,954	
Gasoline		1,000	
Office Supplies		2,945	
Other Supplies and Materials		977	
Office Equipment		500	
Total Civil Defense			78,890

Other Public Safety

Supervisor/Director	\$	3,396	
Communication		480	
Contracts with Government Agencies		280,495	
Office Supplies		299	
Office Equipment		697	
Total Other Public Safety			285,367

Public Health and Welfare

Local Health Center

Medical Personnel	\$	83,442	
Communication		2,445	
Contracts with Government Agencies		32,000	
Janitorial Services		5,700	
Maintenance and Repair Services - Buildings		3,429	
Postal Charges		373	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Travel	\$	5,776	
Custodial Supplies		455	
Drugs and Medical Supplies		1,367	
Office Supplies		1,198	
Utilities		10,805	
Office Equipment		2,000	
Total Local Health Center			\$ 148,990

Rabies and Animal Control

Assistant(s)	\$	21,871	
Supervisor/Director		37,921	
Part-time Personnel		25,909	
Advertising		96	
Communication		5,797	
Engineering Services		3,018	
Maintenance and Repair Services - Buildings		699	
Maintenance and Repair Services - Equipment		901	
Maintenance and Repair Services - Vehicles		658	
Travel		2,523	
Other Contracted Services		76,706	
Animal Food and Supplies		4,606	
Custodial Supplies		7,327	
Gasoline		7,229	
Office Supplies		2,997	
Uniforms		793	
Utilities		9,662	
Other Supplies and Materials		6,992	
Other Charges		35,404	
Building Construction		92,266	
Office Equipment		300	
Other Equipment		15,455	
Total Rabies and Animal Control			359,130

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$	80,000	
Utilities		2,745	
Motor Vehicles		100,175	
Total Ambulance/Emergency Medical Services			182,920

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Other Charges	\$ 3,683	
Total Other Local Health Services		\$ 3,683

General Welfare Assistance

Contracts with Other Public Agencies	\$ 19,078	
Contributions	3,100	
Total General Welfare Assistance		22,178

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	\$ 33,913	
Other Salaries and Wages	27,454	
Maintenance and Repair Services - Equipment	457	
Gasoline	2,971	
Instructional Supplies and Materials	8,912	
Other Supplies and Materials	11,706	
Total Sanitation Education/Information		85,413

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 26,296	
Custodial Personnel	7,382	
Part-time Personnel	6,983	
Other Salaries and Wages	10,810	
Communication	1,858	
Maintenance and Repair Services - Buildings	2,820	
Maintenance and Repair Services - Vehicles	464	
Postal Charges	90	
Travel	1,000	
Gasoline	1,208	
Office Supplies	844	
Utilities	2,672	
Other Supplies and Materials	889	
Vehicle and Equipment Insurance	824	
Total Senior Citizens Assistance		64,140

Libraries

Assistant(s)	\$ 24,203	
Supervisor/Director	33,137	
Custodial Personnel	7,918	
Part-time Personnel	11,426	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Other Salaries and Wages	\$	69,896	
Communication		4,446	
Maintenance and Repair Services - Buildings		1,438	
Travel		1,887	
Custodial Supplies		1,810	
Office Supplies		15,356	
Utilities		30,052	
Other Charges		16,691	
Building Improvements		7,455	
Other Capital Outlay		15,000	
Total Libraries			\$ 240,715

Other Social, Cultural, and Recreational

Contracts with Government Agencies	\$	43,080	
Contributions		27,250	
Total Other Social, Cultural, and Recreational			70,330

Agriculture and Natural Resources

Agricultural Extension Service

County Official/Administrative Officer	\$	17,300	
Assistant(s)		15,275	
Deputy(ies)		9,580	
Secretary(ies)		9,819	
Other Salaries and Wages		5,500	
Social Security		3,222	
Employer Medicare		754	
Other Fringe Benefits		8,121	
Communication		1,146	
Office Supplies		5,000	
Office Equipment		810	
Total Agricultural Extension Service			76,527

Forest Service

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

Soil Conservation

Contributions	\$	25,467	
Total Soil Conservation			25,467

Flood Control

Contributions	\$	33,000	
Office Supplies		1,959	
Total Flood Control			34,959

Other Agriculture and Natural Resources

Part-time Personnel	\$	4,263	
---------------------	----	-------	--

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Other Agriculture and Natural Resources (Cont.)

Food Preparation Supplies	\$	88	
Utilities		815	
Total Other Agriculture and Natural Resources			\$ 5,166

Other Operations

Tourism

Contributions	\$	210,606	
Total Tourism			210,606

Tourism-resort District

Contributions	\$	78,215	
Remittance of Revenue Collected		650,275	
Total Tourism-resort District			728,490

Industrial Development

Contracts with Government Agencies	\$	55,000	
Dues and Memberships		11,495	
Other Charges		4,878	
Total Industrial Development			71,373

Other Economic and Community Development

Other Contracted Services	\$	7,500	
Other Charges		12,441	
Total Other Economic and Community Development			19,941

Airport

Contributions	\$	25,000	
Airport Improvement		35,000	
Total Airport			60,000

Veterans' Services

Supervisor/Director	\$	21,822	
Secretary(ies)		19,559	
Communication		1,066	
Data Processing Services		798	
Travel		2,086	
Office Supplies		2,172	
Office Equipment		300	
Total Veterans' Services			47,803

Other Charges

Trustee's Commission	\$	127,572	
Workers' Compensation Insurance		147,534	
Other Self-insured Claims		9,613	
Total Other Charges			284,719

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 15,500	
Total Contributions to Other Agencies		\$ 15,500

Employee Benefits

Social Security	\$ 251,359	
State Retirement	374,176	
Life Insurance	13,691	
Medical Insurance	848,611	
Dental Insurance	27,407	
Unemployment Compensation	13,199	
Employer Medicare	59,151	
Total Employee Benefits		1,587,594

Miscellaneous

Legal Services	\$ 2,000	
Medical and Dental Services	198	
Other Charges	5,891	
Total Miscellaneous		8,089

Principal on Debt

General Government

Principal on Capital Leases	\$ 193,811	
Total General Government		193,811

Interest on Debt

General Government

Interest on Capital Leases	\$ 28,070	
Total General Government		28,070

Total General Fund \$ 11,949,190

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 49,329	
Secretary(ies)	13,199	
Communication	2,922	
Maintenance and Repair Services - Equipment	1,000	
Travel	1,693	
Office Supplies	2,726	
Office Equipment	500	
Total Sanitation Management		\$ 71,369

Waste Pickup

Mechanic(s)	\$ 35,587
Truck Drivers	139,194
Maintenance and Repair Services - Equipment	73,966

(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.)

Waste Pickup (Cont.)

Gasoline	\$	136,289	
Small Tools		1,447	
Tires and Tubes		20,848	
Other Supplies and Materials		2,492	
Total Waste Pickup	\$		409,823

Convenience Centers

Laborers	\$	231,711	
Advertising		237	
Communication		5,281	
Maintenance and Repair Services - Buildings		9,550	
Rentals		1,900	
Utilities		19,610	
Other Supplies and Materials		9,856	
Other Charges		8,516	
Solid Waste Equipment		5,690	
Total Convenience Centers			292,351

Landfill Operation and Maintenance

Disposal Fees	\$	344,445	
Other Contracted Services		9,410	
Total Landfill Operation and Maintenance			353,855

Other Operations

Other Charges

Trustee's Commission	\$	11,379	
Workers' Compensation Insurance		59,400	
Total Other Charges			70,779

Employee Benefits

Social Security	\$	28,756	
State Retirement		21,950	
Life Insurance		772	
Medical Insurance		47,941	
Dental Insurance		1,524	
Unemployment Compensation		2,840	
Employer Medicare		6,780	
Total Employee Benefits			110,563

Total Solid Waste/Sanitation Fund \$ 1,308,740

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	31,659	
Salary Supplements		4,600	
Confidential Drug Enforcement Payments		1,000	

(Continued)

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Office Supplies	\$	194	
Law Enforcement Equipment		1,789	
Total Drug Enforcement			\$ 39,242

Other Operations

Other Charges

Workers' Compensation Insurance	\$	1,870	
Total Other Charges			1,870

Employee Benefits

Social Security	\$	2,230	
State Retirement		3,246	
Life Insurance		119	
Medical Insurance		7,154	
Dental Insurance		218	
Unemployment Compensation		90	
Employer Medicare		522	
Total Employee Benefits			13,579

Total Drug Control Fund \$ 54,691

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	8,580	
Total Chancery Court			\$ 8,580

Total Constitutional Officers - Fees Fund 8,580

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	72,195	
Assistant(s)		50,703	
Secretary to Board		1,224	
Accountants/Bookkeepers		86,631	
Board and Committee Members Fees		4,895	
Communication		15,506	
Data Processing Services		8,903	
Dues and Memberships		3,170	
Legal Notices, Recording, and Court Costs		350	
Postal Charges		887	
Printing, Stationery, and Forms		1,239	
Travel		5,034	
Electricity		9,787	
Food Preparation Supplies		3,076	
Natural Gas		2,597	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Office Supplies	\$	3,460	
Water and Sewer		1,377	
Other Charges		3,194	
Total Administration			\$ 274,228

Highway and Bridge Maintenance

Laborers	\$	659,373	
Clerical Personnel		3,703	
Engineering Services		46,224	
Other Contracted Services		83,518	
Asphalt		35,000	
Asphalt - Cold Mix		14,682	
Asphalt - Hot Mix		259,913	
Concrete		1,113	
Crushed Stone		59,045	
Office Supplies		1,042	
Pipe		16,257	
Road Signs		10,228	
Wood Products		493	
Gravel and Chert		14,340	
Other Supplies and Materials		15,500	
Other Charges		5,499	
Total Highway and Bridge Maintenance			1,225,930

Operation and Maintenance of Equipment

Mechanic(s)	\$	25,375	
Laborers		23,171	
Maintenance Personnel		33,677	
Maintenance and Repair Services - Equipment		20,987	
Maintenance and Repair Services - Vehicles		16,056	
Diesel Fuel		130,000	
Equipment and Machinery Parts		56,053	
Garage Supplies		9,795	
Gasoline		74,000	
Lubricants		6,998	
Small Tools		975	
Tires and Tubes		38,748	
Other Supplies and Materials		1,700	
Total Operation and Maintenance of Equipment			437,535

Other Charges

Liability Insurance	\$	29,996	
Trustee's Commission		33,821	
Workers' Compensation Insurance		111,709	
Total Other Charges			175,526

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	73,839	
State Retirement		92,884	
Life Insurance		3,608	
Medical Insurance		242,341	
Dental Insurance		7,891	
Unemployment Compensation		10,076	
Total Employee Benefits			\$ 430,639

Capital Outlay

Maintenance and Repair Services - Buildings	\$	6,918	
Bridge Construction		373,409	
Building Improvements		3,089	
Highway Equipment		397,356	
Motor Vehicles		36,538	
Office Equipment		740	
State Aid Projects		241,992	
Other Construction		20,000	
Total Capital Outlay			<u>1,080,042</u>

Total Highway/Public Works Fund \$ 3,623,900

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	240,000	
Principal on Notes		209,150	
Principal on Other Loans		247,000	
Total General Government			\$ 696,150

Highways and Streets

Principal on Bonds	\$	130,000	
Total Highways and Streets			130,000

Education

Principal on Notes	\$	710,645	
Principal on Capital Leases		106,629	
Total Education			817,274

Interest on Debt

General Government

Interest on Bonds	\$	368,658	
Interest on Notes		8,449	
Interest on Other Loans		14,606	
Total General Government			391,713

Highways and Streets

Interest on Bonds	\$	94,399	
Total Highways and Streets			94,399

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Interest on Debt (Cont.)</u>			
<u>Education</u>			
Interest on Notes	\$	9,227	
Interest on Capital Leases		<u>52,245</u>	
Total Education			\$ 61,472
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	5,108	
Other Debt Service		<u>43,635</u>	
Total General Government			<u>48,743</u>
Total General Debt Service Fund			\$ 2,239,751
<u>Rural Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>Education</u>			
Principal on Bonds	\$	<u>825,000</u>	
Total Education			\$ 825,000
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	<u>1,852,732</u>	
Total Education			1,852,732
<u>Other Debt Service</u>			
<u>Education</u>			
Trustee's Commission	\$	3,120	
Other Debt Service		<u>3,261</u>	
Total Education			<u>6,381</u>
Total Rural Debt Service Fund			<u>2,684,113</u>
Total Governmental Funds - Primary Government			<u>\$ 21,868,965</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, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,572,815	
Career Ladder Program	89,391	
Career Ladder Extended Contracts	40,000	
Educational Assistants	141,318	
Bonus Payments	139,828	
Other Salaries and Wages	23,814	
Certified Substitute Teachers	185,848	
Social Security	476,577	
State Retirement	709,195	
Medical Insurance	1,524,968	
Dental Insurance	62,673	
Employer Medicare	112,183	
Maintenance and Repair Services - Equipment	2,540	
Instructional Supplies and Materials	7,649	
Textbooks	303,440	
Other Supplies and Materials	90,514	
Regular Instruction Equipment	19,509	
Total Regular Instruction Program		\$ 11,502,262

Alternative Instruction Program

Teachers	\$ 100,094	
Career Ladder Program	2,250	
Homebound Teachers	41,186	
Educational Assistants	15,562	
Certified Substitute Teachers	468	
Social Security	6,585	
State Retirement	14,353	
Medical Insurance	30,740	
Dental Insurance	1,336	
Employer Medicare	1,540	
Other Supplies and Materials	686	
Total Alternative Instruction Program		214,800

Special Education Program

Teachers	\$ 955,161	
Career Ladder Program	9,156	
Homebound Teachers	35,840	
Educational Assistants	14,211	
Speech Pathologist	17,400	
Certified Substitute Teachers	13,609	
Social Security	60,317	
State Retirement	89,911	
Medical Insurance	190,293	
Dental Insurance	8,460	
Employer Medicare	14,427	
Contracts with Private Agencies	17,635	

(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.)

Special Education Program (Cont.)

Other Supplies and Materials	\$ 11,153	
Other Charges	25,971	
Total Special Education Program		\$ 1,463,544

Vocational Education Program

Teachers	\$ 1,201,532	
Career Ladder Program	8,500	
Certified Substitute Teachers	13,828	
Social Security	71,527	
State Retirement	105,448	
Medical Insurance	192,020	
Dental Insurance	8,766	
Employer Medicare	17,052	
Other Contracted Services	2,184	
Other Supplies and Materials	37,964	
Total Vocational Education Program		1,658,821

Support Services

Attendance

Supervisor/Director	\$ 44,047	
Clerical Personnel	55,812	
Social Security	6,053	
State Retirement	9,821	
Medical Insurance	33,215	
Dental Insurance	1,670	
Employer Medicare	1,416	
Travel	1,257	
Other Supplies and Materials	1,087	
In Service/Staff Development	670	
Total Attendance		155,048

Health Services

Medical Personnel	\$ 196,792	
Social Security	10,756	
State Retirement	19,025	
Medical Insurance	44,211	
Dental Insurance	2,282	
Employer Medicare	2,545	
Drugs and Medical Supplies	4,879	
Other Supplies and Materials	996	
In Service/Staff Development	55	
Total Health Services		281,541

Other Student Support

Career Ladder Program	\$ 5,000	
Guidance Personnel	517,821	

(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.)

Psychological Personnel	\$	246,416	
Secretary(ies)		13,914	
Attendants		41,896	
Other Salaries and Wages		135,730	
Social Security		52,830	
State Retirement		84,310	
Medical Insurance		150,867	
Dental Insurance		6,624	
Employer Medicare		13,319	
Communication		4,625	
Contracts with Government Agencies		675	
Evaluation and Testing		21,788	
Travel		21,734	
Other Contracted Services		51,043	
Other Supplies and Materials		29,758	
In Service/Staff Development		450	
Total Other Student Support			\$ 1,398,800

Regular Instruction Program

Supervisor/Director	\$	74,155	
Career Ladder Program		14,075	
Librarians		342,053	
Instructional Computer Personnel		59,495	
Clerical Personnel		27,374	
Educational Assistants		65,072	
Other Salaries and Wages		111,778	
Social Security		41,150	
State Retirement		61,912	
Medical Insurance		137,416	
Dental Insurance		6,373	
Employer Medicare		9,757	
Operating Lease Payments		10,499	
Maintenance and Repair Services - Equipment		4,017	
Travel		3,063	
Other Contracted Services		13,771	
Library Books/Media		34,993	
Other Supplies and Materials		9,447	
In Service/Staff Development		91	
Other Charges		2,497	
Other Equipment		97,543	
Total Regular Instruction Program			1,126,531

Alternative Instruction Program

Supervisor/Director	\$	55,938
Social Security		3,128
State Retirement		4,967

(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.)

Alternative Instruction Program (Cont.)

Medical Insurance	\$	11,212	
Dental Insurance		334	
Employer Medicare		732	
Operating Lease Payments		1,033	
Maintenance and Repair Services - Equipment		81	
Travel		1,597	
Other Supplies and Materials		316	
In Service/Staff Development		330	
Other Charges		254	
Total Alternative Instruction Program	\$		79,922

Special Education Program

Supervisor/Director	\$	68,144	
Career Ladder Program		1,709	
Assessment Personnel		41,920	
Social Security		6,416	
State Retirement		10,525	
Medical Insurance		16,209	
Dental Insurance		724	
Employer Medicare		1,500	
Travel		3,626	
Other Contracted Services		4,906	
Other Supplies and Materials		199	
In Service/Staff Development		2,155	
Other Charges		581	
Total Special Education Program			158,614

Vocational Education Program

Supervisor/Director	\$	35,368	
Career Ladder Program		1,000	
Secretary(ies)		10,849	
Social Security		2,771	
State Retirement		4,378	
Medical Insurance		15,873	
Dental Insurance		668	
Employer Medicare		648	
Travel		4,970	
Other Supplies and Materials		50	
In Service/Staff Development		50	
Other Charges		467	
Total Vocational Education Program			77,092

Other Programs

On-behalf Payments to OPEB	\$	196,465	
Total Other Programs			196,465

(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.)

Board of Education

Board and Committee Members Fees	\$	9,648	
Dental Insurance		2,727	
Unemployment Compensation		13,967	
Other Fringe Benefits		181,132	
Audit Services		17,000	
Dues and Memberships		9,448	
Legal Services		10,898	
Travel		5,529	
Other Contracted Services		2,500	
Other Supplies and Materials		943	
Liability Insurance		57,681	
Trustee's Commission		214,663	
Workers' Compensation Insurance		154,006	
In Service/Staff Development		3,080	
Other Charges		76	
Total Board of Education			\$ 683,298

Director of Schools

County Official/Administrative Officer	\$	219,531	
Secretary(ies)		34,499	
Clerical Personnel		15,206	
Social Security		13,979	
State Retirement		22,657	
Medical Insurance		20,636	
Dental Insurance		1,002	
Employer Medicare		3,717	
Communication		10,464	
Dues and Memberships		2,730	
Operating Lease Payments		4,463	
Maintenance and Repair Services - Equipment		1,239	
Postal Charges		2,863	
Travel		1,315	
Other Contracted Services		3,429	
Office Supplies		2,192	
Other Supplies and Materials		821	
In Service/Staff Development		55	
Total Director of Schools			360,798

Office of the Principal

Principals	\$	435,925	
Career Ladder Program		8,333	
Accountants/Bookkeepers		105,433	
Assistant Principals		416,844	
Secretary(ies)		51,610	
Clerical Personnel		15,367	
Social Security		60,040	

(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.)

Office of the Principal (Cont.)

State Retirement	\$	94,552	
Medical Insurance		196,569	
Dental Insurance		8,878	
Employer Medicare		14,052	
Communication		10,500	
Dues and Memberships		725	
Operating Lease Payments		24,271	
Maintenance and Repair Services - Equipment		500	
Other Contracted Services		55,188	
Other Supplies and Materials		5,347	
In Service/Staff Development		1,078	
Other Charges		2,759	
Administration Equipment		145,942	
Total Office of the Principal			\$ 1,653,913

Fiscal Services

Supervisor/Director	\$	66,683	
Accountants/Bookkeepers		39,585	
Clerical Personnel		22,665	
Social Security		7,944	
State Retirement		13,648	
Medical Insurance		20,498	
Dental Insurance		1,002	
Employer Medicare		1,858	
Data Processing Services		6,796	
Dues and Memberships		85	
Maintenance and Repair Services - Equipment		2,083	
Travel		908	
Data Processing Supplies		1,438	
Office Supplies		3,577	
In Service/Staff Development		390	
Administration Equipment		2,259	
Total Fiscal Services			191,419

Operation of Plant

Custodial Personnel	\$	128,701	
Social Security		7,880	
State Retirement		13,567	
Medical Insurance		61,359	
Dental Insurance		3,173	
Employer Medicare		1,843	
Janitorial Services		607,937	
Disposal Fees		19,635	
Other Contracted Services		13,845	
Custodial Supplies		27,260	
Electricity		939,036	

(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.)

Operation of Plant (Cont.)

Natural Gas	\$	114,413	
Water and Sewer		71,144	
Other Supplies and Materials		26,176	
Boiler Insurance		7,474	
Building and Contents Insurance		145,974	
Other Charges		8,515	
Plant Operation Equipment		14,810	
Total Operation of Plant			\$ 2,212,742

Maintenance of Plant

Supervisor/Director	\$	40,282	
Maintenance Personnel		179,417	
Social Security		13,544	
State Retirement		22,677	
Medical Insurance		44,271	
Dental Insurance		2,338	
Employer Medicare		3,168	
Maintenance and Repair Services - Buildings		68,576	
Maintenance and Repair Services - Equipment		63,810	
Equipment and Machinery Parts		68,558	
General Construction Materials		14,797	
Other Supplies and Materials		6,998	
Other Charges		3,070	
Total Maintenance of Plant			531,506

Transportation

Supervisor/Director	\$	5,166	
Mechanic(s)		30,503	
Bus Drivers		59,037	
Clerical Personnel		34,612	
Social Security		5,617	
State Retirement		9,623	
Medical Insurance		32,220	
Dental Insurance		1,670	
Employer Medicare		1,314	
Contracts with Private Agencies		1,411,488	
Contracts with Parents		18,800	
Operating Lease Payments		94	
Maintenance and Repair Services - Vehicles		530	
Medical and Dental Services		780	
Diesel Fuel		5,918	
Garage Supplies		95	
Gasoline		15,519	
Lubricants		221	
Tires and Tubes		820	
Vehicle Parts		6,319	

(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.)

Transportation (Cont.)

Vehicle and Equipment Insurance	\$	22,443	
Other Charges		1,008	
Total Transportation			\$ 1,663,797

Central and Other

Supervisor/Director	\$	56,655	
Career Ladder Program		750	
Other Salaries and Wages		140	
Social Security		3,432	
State Retirement		5,110	
Medical Insurance		7,169	
Dental Insurance		334	
Employer Medicare		803	
Travel		1,365	
Other Contracted Services		26,272	
Office Supplies		100	
Other Supplies and Materials		225	
In Service/Staff Development		10,534	
Total Central and Other			112,889

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	68,499	
Career Ladder Program		3,000	
Other Salaries and Wages		3,316	
Social Security		4,392	
State Retirement		6,642	
Medical Insurance		129,901	
Dental Insurance		6,893	
Employer Medicare		1,027	
Communication		2,400	
Travel		1,547	
Other Supplies and Materials		100	
In Service/Staff Development		100	
Total Food Service			227,817

Early Childhood Education

Supervisor/Director	\$	900	
Teachers		244,217	
Career Ladder Program		2,000	
Clerical Personnel		6,000	
Educational Assistants		96,913	
Certified Substitute Teachers		1,375	
Social Security		20,255	
State Retirement		31,428	
Medical Insurance		83,293	

(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 (Cont.)

Early Childhood Education (Cont.)

Dental Insurance	\$	3,674	
Employer Medicare		4,829	
Travel		2,729	
Instructional Supplies and Materials		9,495	
Other Supplies and Materials		10,818	
In Service/Staff Development		3,207	
Other Charges		3,052	
Other Equipment		20,122	
Total Early Childhood Education			\$ 544,307

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	2,285,789	
Total Education			<u>2,285,789</u>

Total General Purpose School Fund \$ 28,781,715

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	789,721	
Educational Assistants		143,676	
Other Salaries and Wages		16,090	
Certified Substitute Teachers		5,941	
Social Security		55,464	
State Retirement		82,755	
Medical Insurance		189,581	
Dental Insurance		9,073	
Employer Medicare		13,198	
Other Contracted Services		10,840	
Other Supplies and Materials		27,467	
Other Charges		1,415	
Regular Instruction Equipment		502,478	
Total Regular Instruction Program			\$ 1,847,699

Special Education Program

Teachers	\$	5,458	
Educational Assistants		227,460	
Speech Pathologist		33,925	
Social Security		16,169	
State Retirement		24,873	
Medical Insurance		141,652	
Dental Insurance		7,236	
Employer Medicare		3,783	
Instructional Supplies and Materials		275	
Other Supplies and Materials		1,001	
Total Special Education Program			461,832

(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.)

Vocational Education Program

Teachers	\$	19,158	
Social Security		1,139	
State Retirement		1,701	
Medical Insurance		6,316	
Dental Insurance		334	
Employer Medicare		266	
Other Contracted Services		1,821	
Instructional Supplies and Materials		480	
Vocational Instruction Equipment		23,065	
Total Vocational Education Program	\$		54,280

Support Services

Other Student Support

Other Salaries and Wages	\$	3,998	
Social Security		248	
State Retirement		355	
Employer Medicare		58	
Travel		15,068	
Other Contracted Services		1,327	
Other Supplies and Materials		4,151	
Total Other Student Support			25,205

Regular Instruction Program

Supervisor/Director	\$	76,530	
Other Salaries and Wages		278,265	
Social Security		21,356	
State Retirement		31,506	
Medical Insurance		39,751	
Dental Insurance		1,753	
Employer Medicare		4,994	
Travel		9,880	
Other Contracted Services		17,674	
Other Supplies and Materials		10,224	
In Service/Staff Development		13,707	
Other Equipment		536	
Total Regular Instruction Program			506,176

Special Education Program

Psychological Personnel	\$	47,040	
Assessment Personnel		49,810	
Other Salaries and Wages		32,509	
Social Security		7,493	
State Retirement		12,843	
Medical Insurance		22,420	
Dental Insurance		1,002	
Employer Medicare		1,752	

(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.)

Special Education Program (Cont.)

Travel	\$	6,442	
Other Contracted Services		85,474	
Other Supplies and Materials		819	
In Service/Staff Development		220	
Total Special Education Program			\$ 267,824

Vocational Education Program

Travel	\$	847	
Total Vocational Education Program			847

Office of the Principal

Travel	\$	6,087	
In Service/Staff Development		1,620	
Total Office of the Principal			7,707

Transportation

Contracts with Private Agencies	\$	119,826	
Total Transportation			<u>119,826</u>

Total School Federal Projects Fund \$ 3,291,396

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Accountants/Bookkeepers	\$	22,665	
Cafeteria Personnel		623,739	
Other Salaries and Wages		29,230	
Social Security		45,769	
State Retirement		52,310	
Medical Insurance		196,051	
Dental Insurance		9,833	
Employer Medicare		9,634	
Communication		5,326	
Maintenance and Repair Services - Equipment		22,410	
Transportation - Other than Students		5,879	
Travel		5,336	
Other Contracted Services		22,040	
Food Preparation Supplies		48,584	
Food Supplies		948,846	
Office Supplies		7,823	
USDA - Commodities		121,154	
Other Supplies and Materials		33,960	
In Service/Staff Development		3,415	
Other Charges		2,549	
Food Service Equipment		61,212	
Total Food Service			\$ <u>2,277,765</u>

Total Central Cafeteria Fund 2,277,765

(Continued)

Exhibit K-8

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Improvements	\$ 23,224	
Heating and Air Conditioning Equipment	105,500	
Site Development	<u>22,003</u>	
Total Education Capital Projects		<u>\$ 150,727</u>
Total Education Capital Projects Fund		<u>\$ 150,727</u>
Total Governmental Funds - Hardin County School Department		<u><u>\$ 34,501,603</u></u>

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, 2014

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 2,834,804
Total Cash Receipts	<u>\$ 2,834,804</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 2,806,456
Trustee's Commission	28,348
Total Cash Disbursements	<u>\$ 2,834,804</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
Cash Balance, June 30, 2014	<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
PHONE (615) 401-7841

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

Independent Auditor's Report

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, 2014, and the related notes to the financial statements, which collectively comprise Hardin County's basic financial statements, and have issued our report thereon dated January 30, 2015. 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 Emergency Communications District, and Hardin County Convention and Visitors Bureau, 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2014-002, 2014-003, and 2014-004.

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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001.

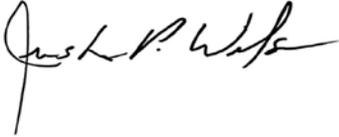
Hardin County's Responses to Findings

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 prominent vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 30, 2015

JPW/yu



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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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, 2014. 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, 2014.

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.

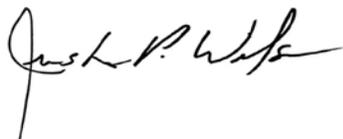
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2014, and the related notes to the financial statements, which collectively comprise Hardin County's basic financial statements. We issued our report thereon dated January 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 30, 2015

JPW/yu

Hardin County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 399,760
National School Lunch Program	10.555	N/A	1,005,481 (3)
Summer Food Service Program for Children	10.559	N/A	18,636
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	121,154 (3)
Passed-through Natural Resources Conservation Service:			
ARRA - Emergency Watershed Protection Program	10.923	N/A	35,582
Total U.S. Department of Agriculture			\$ 1,580,613
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 933,808
Shelter Plus Care	14.238	(2)	19,078
Total U.S. Department of Housing and Urban Development			\$ 952,886
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 4,590
Total U.S. Department of Justice			\$ 4,590
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 17,009
Total U.S. Department of Transportation			\$ 17,009
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	\$ 2,500
Total U.S. Institute of Museum and Library Services			\$ 2,500
U.S. Department of Education:			
Direct Program:			
Fund for the Improvement of Education	84.215	N/A	\$ 381,160
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,345,285
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	819,505
Special Education - Preschool Grants	84.173	N/A	30,615
Career and Technical Education - Basic Grants to States	84.048	N/A	70,911
Twenty-first Century Community Learning Centers	84.287	N/A	288,000
Rural Education	84.358	N/A	63,424
Improving Teacher Quality State Grants	84.367	N/A	209,015
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	386,665
Total U.S. Department of Education			\$ 3,594,580

(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. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 4,340
Total U.S. Election Assistance Commission			\$ 4,340
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)	\$ 30,892
Total U.S. Department of Health and Human Services			\$ 30,892
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 268,739
Emergency Management Performance Grants	97.042	34101-08514	31,300
Total U.S. Department of Homeland Security			\$ 300,039
Total Expenditures of Federal Awards			\$ 6,487,449
State Grants:			
		Contract Number	
Litter Program - State Department of Transportation	N/A	(2)	\$ 40,400
Disaster Grants - Public Assistance - State Department of Military	N/A	(2)	66,882
Animal Friendly Grant - State Department of Health	N/A	GG-14-39910	435
Clean Tennessee Energy Grant - State Department of Environment and Conservation	N/A	32701-01715	10,700
Safe Schools Act - State Department of Education	N/A	(2)	17,600
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Statewide Student Management System - State Department of Education	N/A	(2)	9,496
ACT/Explore - State Department of Education	N/A	(2)	4,252
Arts Student Ticket Subsidy - State Department of Education	N/A	(2)	2,610
ConnecTenn - State Department of Education	N/A	(2)	10,399
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	17,363
Early Childhood Education - State Department of Education	N/A	(2)	547,315
Hub and Spoke Grant - State Department of Environment and Conservation	N/A	(2)	88,240
Total State Grants			\$ 915,692

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 \$1,126,635.

Hardin County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF TRUSTEE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-003	201	Multiple employees operated from the same cash drawer

**OFFICES OF TRUSTEE AND CIRCUIT AND GENERAL SESSIONS COURTS
CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-004	202	Duties were not segregated adequately

HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

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. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of 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); Community Development Block Grants/State's Program (CFDA No. 14.228); Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); and State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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 School Department's chief financial officer and the trustee 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 DIRECTOR OF SCHOOLS

FINDING 2014-001 **SURPLUS SCHOOL BUSES WERE NOT COMPETITIVELY SOLD**

(Noncompliance Under *Government Auditing Standards*)

The School Department did not dispose of surplus school buses at a competitive sale as required by Section 49-6-2007, *Tennessee Code Annotated*. This statute provides that surplus property shall be sold to the highest bidder after the sale is advertised in a newspaper of general circulation. In July 2013, the department entered into a contract with a private company for school transportation services. The terms of the agreement included the sale of 17 of the department's used buses to the contractor. The proposed sale of these buses to the winning bidder had been included in the bid proposal specifications; however, the buses were offered at prices based on their current book values as recorded in the School Department's capital asset records. This does not appear to have been a competitive sale since the School Department offered the buses at the same prices to all bidders. As a result, the best prices may not have been received for the sale of these buses and may have resulted in a loss of revenue for the department. This deficiency exists because management failed to comply with the state statute.

RECOMMENDATION

The School Department should dispose of all surplus property in accordance with provisions of state law.

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT CHIEF FINANCIAL OFFICER

Even though the offer to purchase our bus fleet was given to all potential transportation providers as a component of our request for proposals, we understand that we were not in compliance with state statute since we did not make the offer available to the public. As always, we continually strive to comply with all laws, rules, and regulations. In the future, care will be taken to ensure that sales of surplus equipment are in accordance with state statute.

OFFICE OF TRUSTEE

FINDING 2014-002

THE OFFICE MAINTAINED A DUPLICATE SET OF ACCOUNTING RECORDS

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

The office maintained a complete set of manual and automated accounting records. Both manual and electronic records are often maintained when electronic records are first installed to ease implementation problems that might arise. However, once electronic records are fully functional, sound business practices dictate that the manual records be discontinued. Maintaining both manual and electronic records resulted in increased costs for operations. In addition, the practice of issuing manual receipts and then entering the receipts into the computer system could result in the failure to record all receipts into the official electronic record, which increases the risks of fraud and abuse. The practice of keeping a duplicate set of accounting records is the result of management's decision.

RECOMMENDATION

The office should discontinue maintaining a duplicate set of accounting records. Accounting records should be maintained electronically, giving consideration to the costs associated with the acquisition, on-going maintenance of the computer system, and additional labor costs for maintaining manual accounting records.

MANAGEMENT'S RESPONSE – TRUSTEE

As of July 1, 2014, the manual cash journal and receipt books are no longer being maintained.

FINDING 2014-003

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.

MANAGEMENT'S RESPONSE – TRUSTEE

As of September 2014, each employee has a cash drawer.

OFFICES OF TRUSTEE AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2014-004

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 and Circuit and General Sessions Courts Clerk. 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 – TRUSTEE

As of July 1, 2014, segregation of duties is performed in the best possible way with a small office staff. All employees handle money. Preparing bank deposits is rotated when possible, and the trustee takes the deposit to the bank. Checks are written by one employee and signed by another. One employee opens the mail, another employee lists the checks received, and another employee processes it.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hardin County.

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. 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.

**HARDIN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014**

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