

**ANNUAL FINANCIAL REPORT**  
**HANCOCK COUNTY, TENNESSEE**

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



**DIVISION OF LOCAL GOVERNMENT AUDIT**



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

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

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

***MARK TREECE, CPA, CGFM***  
***Audit Manager***

***PHILIP TOBY, CGFM***  
***VERNA DAVIS***  
***GREG BRUSH, CISA***  
***State Auditors***

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

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# ***Summary of Audit Findings***

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

## ***Scope***

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

## ***Results***

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

Our audit resulted in three findings and recommendations, which we have reviewed with Hancock County management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

- ◆ Some purchase orders were issued after the purchases were made.
- ◆ Expenditures exceeded appropriations.

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### **OFFICES OF COUNTY CLERK, CLERK AND MASTER, REGISTER OF DEEDS, SHERIFF, AND HOME HEALTH**

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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Hancock County Officials  
June 30, 2015

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**Officials**

Thomas Harrison, County Mayor  
Clem Seal, Road Superintendent  
Tony Seal, Director of Schools  
Chuck Johnson, Trustee  
William Seal, Assessor of Property  
Jessie Royston, County Clerk  
Micah Wallen, Circuit and General Sessions Courts Clerk  
Judy Trent, Clerk and Master  
Janie Lamb, Register of Deeds  
Ralph Seal, Sheriff

**Board of County Commissioners**

Dean Rhea, Chairman  
Wayne Bailey  
Tommy Belcher, Jr.  
Johnny Bunch  
Ronald Cantwell  
Doug Garland  
Carlin Greene  
Ed Gulliver  
Bobby Johnson

Kenny Lamb  
Junior Martin  
John McDaniel  
John McNeil  
Kenneth Rasnic  
Gary Seal  
Jason Sizemore  
Randy White

**Board of Education**

Jeff Stapleton, Chairman  
Norman Greene  
Dennis Holt  
David Jones

Hugh Livesay  
Freddie Mullins  
Carl Reed

**Audit Committee**

Scott Collins, Chairman  
Carlin Greene  
Ed Gulliver

Brenda Maxey  
Joe McDaniel  
Sherry Ramsey

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# FINANCIAL SECTION

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

Independent Auditor's Report

Hancock County Mayor and  
Board of County Commissioners  
Hancock 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 Hancock County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

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

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

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

We draw attention to Note I.D.8. to the financial statements, which describes a restatement to the beginning Governmental Activities net position totaling (\$344,328) for the primary government and (\$1,580,448) for the discretely presented Hancock County School Department on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress – other postemployment benefits plan on pages 82-88 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 Hancock County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock 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

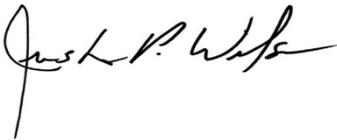
statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock 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 September 14, 2015, on our consideration of Hancock 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 Hancock County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 14, 2015

JPW/kp

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

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

	Primary Government			Total	Component Unit Hancock County School Department
	Governmental Activities	Business-type Activities			
\$	2,413	\$ 0	\$ 2,413	\$	29,616
Cash and Cash Equivalents	2,867,319	2,206,224	5,073,543		2,285,649
Equity in Pooled Cash and Investments	241,142	131,951	373,093		60
Accounts Receivable	(124,603)	(54,578)	(179,181)		0
Allowance for Uncollectibles	437,749	0	437,749		51,459
Due from Other Governments	420	(420)	0		0
Internal Balances	1,735	0	1,735		0
Due from Component Units	1,700,664	0	1,700,664		688,877
Property Taxes Receivable	(140,466)	0	(140,466)		(56,897)
Allowance for Uncollectible Property Taxes	0	0	0		11,185
Notes Receivable - Long-term	1,434,050	0	1,434,050		0
Capital Lease Receivable	0	0	0		19,398
Net Pension Asset - Cost Share Plan					
Assets Not Depreciated:					
Land	422,474	26,350	448,824		453,150
Construction in Progress	45,118	0	45,118		0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,591,926	294,114	1,886,040		9,622,310
Machinery and Equipment	391,147	0	391,147		563,941
Infrastructure	12,756,561	0	12,756,561		0
Total Assets	\$ 21,627,649	\$ 2,603,641	\$ 24,231,290	\$	13,668,748

ASSETS

Cash and Cash Equivalents	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Allowance for Uncollectibles	
Due from Other Governments	
Internal Balances	
Due from Component Units	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	
Notes Receivable - Long-term	
Capital Lease Receivable	
Net Pension Asset - Cost Share Plan	
Assets Not Depreciated:	
Land	
Construction in Progress	
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	
Machinery and Equipment	
Infrastructure	
Total Assets	

DEFERRED OUTFLOWS OF RESOURCES

Pension Changes in Experience	\$ 34,628	\$ 0	\$ 34,628	\$	47,092
Pension Contributions after Measurement Date	51,311	0	51,311		408,522
Total Deferred Outflows of Resources	\$ 85,939	\$ 0	\$ 85,939	\$	455,614

(Continued)

Exhibit A

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

	Primary Government			Total	Component Unit	
	Governmental Activities	Business-type Activities			Hancock County School Department	
Accounts Payable	\$ 75,385	\$ 0	\$ 75,385	\$ 64,774		
Accrued Payroll	30,147	19,226	49,373	0		
Payroll Deductions Payable	8,966	615	9,581	0		
Accrued Interest Payable	99,382	0	99,382	0		
Due to Primary Government	0	0	0	1,735		
Due to the State of Tennessee	5,391	413	5,804	0		
Other Current Liabilities	4,586	0	4,586	129,382		
Noncurrent Liabilities:						
Due Within One Year	921,484	8,257	929,741	0		
Due in More Than One Year	12,030,878	8,257	12,039,135	359,032		
Total Liabilities	\$ 13,176,219	\$ 36,768	\$ 13,212,987	\$ 554,923		

LIABILITIES

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 1,503,122	\$ 0	\$ 1,503,122	\$ 608,860
Pension Changes in Investment Earnings	127,868	0	127,868	1,598,221
Pensions - Other Deferrals	0	0	0	27,498
Total Deferred Inflows of Resources	\$ 1,630,990	\$ 0	\$ 1,630,990	\$ 2,234,579

(Continued)

Exhibit A

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

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
Net Investment in Capital Assets Restricted For:				
General Government	\$ 15,104,370	\$ 320,464	\$ 15,424,834	\$ 10,639,401
Administration of Justice	19,689	0	19,689	0
Public Safety	13,946	0	13,946	0
Public Health and Welfare	100,331	0	100,331	0
Highways	36,649	0	36,649	0
Debt Service	754,612	0	754,612	0
Capital Projects	1,534,288	0	1,534,288	0
Education	66,009	0	66,009	0
Unrestricted	0	0	0	155,328
Total Net Position	(10,723,515)	2,246,409	(8,477,106)	540,131
	\$ 6,906,379	\$ 2,566,873	\$ 9,473,252	\$ 11,334,860

NET POSITION

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

Exhibit B

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position										
	Program Revenues						Primary Government				Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Hancock County School Department			
<b>Primary Government:</b>											
<b>Governmental Activities:</b>											
General Government	\$ 682,495	\$ 30,138	\$ 115,558	\$ 16,900	\$ (519,899)	\$ 0	\$ (519,899)	\$ 0	\$ 0	\$ 0	
Finance	489,279	141,240	0	0	(348,039)	0	(348,039)	0	0	0	
Administration of Justice	327,519	150,934	0	0	(176,585)	0	(176,585)	0	0	0	
Public Safety	1,941,613	891,933	92,765	0	(956,915)	0	(956,915)	0	0	0	
Public Health and Welfare	1,490,551	707,557	238,110	71,500	(473,384)	0	(473,384)	0	0	0	
Social, Cultural, and Recreational Services	83,455	5,877	567	0	(77,011)	0	(77,011)	0	0	0	
Agriculture and Natural Resources	48,844	0	0	0	(48,844)	0	(48,844)	0	0	0	
Highways	2,472,050	24,242	1,300,341	301,747	(845,720)	0	(845,720)	0	0	0	
Interest on Long-term Debt	347,132	0	0	0	(347,132)	0	(347,132)	0	0	0	
Total Governmental Activities	\$ 7,882,938	\$ 1,951,921	\$ 1,747,341	\$ 390,147	\$ (3,793,529)	\$ 0	\$ (3,793,529)	\$ 0	\$ (3,793,529)	\$ 0	
<b>Business-type Activities:</b>											
Home Health	\$ 2,142,553	\$ 2,400,842	\$ 0	\$ 0	\$ 0	\$ 258,289	\$ 258,289	\$ 0	\$ 258,289	\$ 0	
Total Business-type Activities	\$ 2,142,553	\$ 2,400,842	\$ 0	\$ 0	\$ 0	\$ 258,289	\$ 258,289	\$ 0	\$ 258,289	\$ 0	
Total Primary Government	\$ 10,025,491	\$ 4,352,763	\$ 1,747,341	\$ 390,147	\$ (3,793,529)	\$ 258,289	\$ (3,535,240)	\$ 0	\$ (3,535,240)	\$ 0	
<b>Component Unit:</b>											
Hancock County School Department	\$ 10,198,549	\$ 55,644	\$ 2,072,840	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,070,065)	\$ (8,070,065)	\$ 0	
Total Component Unit	\$ 10,198,549	\$ 55,644	\$ 2,072,840	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,070,065)	\$ (8,070,065)	\$ 0	

(Continued)

Exhibit B

Hancock County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		Component Unit Hancock County School Department
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Contributions	Grants and Contributions		Governmental Activities	Business-type Activities	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes						\$ 1,456,770	\$	617,638
Property Taxes Levied for Debt Service						68,520	0	0
Local Option Sales Taxes						51,234	0	235,603
Wheel Tax						56,798	0	56,798
Litigation Tax - General						8,329	0	0
Litigation Tax - Special Purpose						4,474	0	0
Litigation Tax - Jail, Workhouse, or Courthouse						5,649	0	0
Litigation Tax - Courtroom Security						1,018	0	0
Business Tax						27,854	0	0
Wholesale Beer Tax						1,761	0	1,074
Interstate Telecommunications Tax						531	0	642
Grants and Contributions Not Restricted to Specific Programs						1,381,774	0	6,805,136
Unrestricted Investment Income						5,782	0	652
Miscellaneous						56,454	5,182	34,177
Gain on Disposal of Capital Assets						1,025	0	0
Pension Income						0	0	21,219
Total General Revenues						\$ 3,127,973	\$ 5,182	\$ 7,772,939
Special Item - Reduction in Hospital Lease Income Agreement (See Note IV.B)						\$ (2,663,211)	\$	0
Change in Net Position						\$ (3,328,767)	\$ 263,471	\$ (297,126)
Net Position, July 1, 2014						10,579,474	2,303,402	13,212,434
Restatement - Pension Liability (See Note I.D.8)						(344,328)	0	(1,580,448)
Net Position, June 30, 2015						\$ 6,906,379	\$ 2,566,873	\$ 11,334,860

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

Hancock County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 100	\$ 0	\$ 0	\$ 2,313	\$ 2,413	
Equity in Pooled Cash and Investments	496,238	542,317	1,630,551	198,213	2,867,319	
Accounts Receivable	239,209	1,492	391	50	241,142	
Allowance for Uncollectibles	(124,603)	0	0	0	(124,603)	
Due from Other Governments	213,424	223,586	199	540	437,749	
Due from Other Funds	2,733	0	0	2,153	4,886	
Due from Component Units	1,735	0	0	0	1,735	
Property Taxes Receivable	1,301,603	0	105,225	293,836	1,700,664	
Allowance for Uncollectible Property Taxes	(107,129)	0	(7,562)	(25,775)	(140,466)	
Capital Lease Receivable	0	0	1,434,050	0	1,434,050	
<b>Total Assets</b>	<b>\$ 2,023,310</b>	<b>\$ 767,395</b>	<b>\$ 3,162,854</b>	<b>\$ 471,330</b>	<b>\$ 6,424,889</b>	

LIABILITIES

Accounts Payable	\$ 66,561	\$ 0	\$ 0	\$ 8,824	\$ 75,385
Accrued Payroll	28,315	0	0	1,832	30,147
Payroll Deductions Payable	8,966	0	0	0	8,966
Due to Other Funds	2,153	0	0	2,313	4,466
Due to State of Tennessee	5,150	0	0	241	5,391
Other Current Liabilities	0	4,586	0	0	4,586
<b>Total Liabilities</b>	<b>\$ 111,145</b>	<b>\$ 4,586</b>	<b>\$ 0</b>	<b>\$ 13,210</b>	<b>\$ 128,941</b>

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 1,151,125	\$ 0	\$ 95,134	\$ 256,863	\$ 1,503,122
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(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	41,998	0	2,450	10,849	\$	55,297
	136,038	111,793	1,434,116	180		1,682,127
\$	1,329,161	111,793	1,531,700	267,892	\$	3,240,546

DEFERRED INFLOWS OF RESOURCES (Cont.)

Deferred Delinquent Property Taxes	\$	41,998	\$	0	\$	2,450	\$	10,849	\$	55,297
Other Deferred/Unavailable Revenue		136,038		111,793		1,434,116		180		1,682,127
Total Deferred Inflows of Resources	\$	1,329,161	\$	111,793	\$	1,531,700	\$	267,892	\$	3,240,546

FUND BALANCES

Restricted:	\$	19,689	\$	0	\$	0	\$	0	\$	19,689
Restricted for General Government		13,946		0		0		0		13,946
Restricted for Administration of Justice		76,795		0		0		23,536		100,331
Restricted for Public Safety		25,620		0		0		0		25,620
Restricted for Public Health and Welfare		0		651,016		0		0		651,016
Restricted for Highways/Public Works		0		0		1,631,154		0		1,631,154
Restricted for Debt Service		0		0		0		66,009		66,009
Restricted for Capital Projects		0		0		0		0		0
Committed:										
Committed for Public Health and Welfare		0		0		0		100,683		100,683
Assigned:										
Assigned for Social, Cultural, and Recreational Services		5,153		0		0		0		5,153
Assigned for Other Purposes		79,876		0		0		0		79,876
Unassigned		361,925		0		0		0		361,925
Total Fund Balances	\$	583,004	\$	651,016	\$	1,631,154	\$	190,228	\$	3,055,402
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	2,023,310	\$	767,395	\$	3,162,854	\$	471,330	\$	6,424,889

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 3,055,402
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 422,474	
Add: construction in progress	45,118	
Add: buildings and improvements net of accumulated depreciation	1,591,926	
Add: machinery and equipment net of accumulated depreciation	391,147	
Add: infrastructure net of accumulated depreciation	<u>12,756,561</u>	15,207,226
(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	\$ (97,176)	
Less: other loans payable	(9,030,570)	
Less: capital leases payable	(35,192)	
Less: bonds payable	(3,360,000)	
Less: compensated absences payable	(38,171)	
Less: landfill closure/postclosure care costs	(77,767)	
Less: other postemployment benefits liability	(47,218)	
Less: accrued interest on bonds, notes, and capital leases	(99,382)	
Less: net pension liability	<u>(266,268)</u>	(13,051,744)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 85,939	
Less: deferred inflows of resources related to pensions	<u>(127,868)</u>	(41,929)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,737,424</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 6,906,379</u></u>

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

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway /	General Debt Service	Other		
		Public Works		Governmental Funds	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,328,299	\$ 0	\$ 70,055	\$ 299,584	\$ 0	\$ 1,697,938
Licenses and Permits	475	0	0	0	0	475
Fines, Forfeitures, and Penalties	59,343	0	0	7,624	0	66,967
Charges for Current Services	818,909	0	0	93	0	819,002
Other Local Revenues	134,374	27,227	8,782	3,592	0	173,975
Fees Received from County Officials	250,314	0	0	0	0	250,314
State of Tennessee	1,385,942	1,602,088	219	4,615	0	2,992,864
Federal Government	75,842	0	0	170,820	0	246,662
Other Governments and Citizens Groups	100,110	0	971,031	0	0	1,071,141
Total Revenues	\$ 4,153,608	\$ 1,629,315	\$ 1,050,087	\$ 486,328	\$ 0	\$ 7,319,338
<u>Expenditures</u>						
Current:						
General Government	\$ 709,166	\$ 0	\$ 0	\$ 0	\$ 0	\$ 709,166
Finance	490,246	0	0	0	0	490,246
Administration of Justice	328,137	0	0	53	0	328,190
Public Safety	1,854,867	0	0	2,908	0	1,857,775
Public Health and Welfare	986,746	0	0	384,299	0	1,371,045
Social, Cultural, and Recreational Services	76,685	0	0	0	0	76,685
Agriculture and Natural Resources	48,362	0	0	0	0	48,362
Other Operations	8,891	0	0	0	0	8,891
Highways	0	1,952,656	0	0	0	1,952,656
Debt Service:						
Principal on Debt	64,344	0	810,000	0	0	874,344
Interest on Debt	6,372	0	225,511	0	0	231,883
Other Debt Service	0	0	126,904	0	0	126,904

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 170,820	\$ 170,820	\$ 170,820
Total Expenditures	\$ 4,573,816	\$ 1,952,656	\$ 1,162,415	\$ 558,080	\$ 8,246,967	\$ 8,246,967
Excess (Deficiency) of Revenues Over Expenditures	\$ (420,208)	\$ (323,341)	\$ (112,328)	\$ (71,752)	\$ (927,629)	\$ (927,629)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 166,500	\$ 166,500	\$ 166,500
Transfers Out	(166,500)	0	0	0	(166,500)	(166,500)
Total Other Financing Sources (Uses)	\$ (166,500)	\$ 0	\$ 0	\$ 166,500	\$ 0	\$ 0
Net Change in Fund Balances	\$ (586,708)	\$ (323,341)	\$ (112,328)	\$ 94,748	\$ (927,629)	\$ (927,629)
Fund Balance, July 1, 2014	1,169,712	974,357	1,743,482	95,480	3,983,031	3,983,031
Fund Balance, June 30, 2015	\$ 583,004	\$ 651,016	\$ 1,631,154	\$ 190,228	\$ 3,055,402	\$ 3,055,402

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (927,629)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 200,576	
Less: current-year depreciation expense	<u>(745,630)</u>	(545,054)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 1,737,424	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(4,502,591)</u>	(2,765,167)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$ 240,000	
Add: principal payments on notes	64,176	
Add: principal payments on other loans	537,000	
Add: principal payments on capital leases	<u>33,168</u>	874,344
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 10,246	
Change in compensated absences payable	(5,307)	
Change in other postemployment benefits liability	(5,144)	
Change in net pension liability	78,060	
Change in deferred outflows related to pensions	85,939	
Change in deferred inflows related to pensions	(127,868)	
Change in landfill closure/postclosure care costs	<u>(1,187)</u>	<u>34,739</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (3,328,767)</u>

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

## Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,328,299	\$ 992,778	\$ 992,778	\$ 335,521
Licenses and Permits	475	2,000	2,000	(1,525)
Fines, Forfeitures, and Penalties	59,343	57,850	57,850	1,493
Charges for Current Services	818,909	820,500	820,500	(1,591)
Other Local Revenues	134,374	80,600	109,770	24,604
Fees Received from County Officials	250,314	215,900	215,900	34,414
State of Tennessee	1,385,942	1,154,200	1,282,419	103,523
Federal Government	75,842	15,000	31,900	43,942
Other Governments and Citizens Groups	100,110	46,000	84,443	15,667
Total Revenues	\$ 4,153,608	\$ 3,384,828	\$ 3,597,560	\$ 556,048
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 119,478	\$ 184,363	\$ 161,863	\$ 42,385
Board of Equalization	1,500	1,500	1,500	0
County Mayor/Executive	140,359	142,662	141,612	1,253
County Attorney	15,240	15,240	15,240	0
Election Commission	104,486	101,108	103,727	(759)
Register of Deeds	105,387	108,255	108,255	2,868
County Buildings	222,716	183,753	242,333	19,617
<u>Finance</u>				
Purchasing	61,140	70,815	70,815	9,675
Property Assessor's Office	106,891	109,087	109,087	2,196
Reappraisal Program	24,971	25,625	26,675	1,704
County Trustee's Office	128,677	134,882	137,536	8,859
County Clerk's Office	134,602	144,162	144,162	9,560
Other Finance	33,965	41,000	41,000	7,035
<u>Administration of Justice</u>				
Circuit Court	138,363	166,223	175,561	37,198
General Sessions Court	79,597	79,832	79,832	235
Drug Court	1,782	0	1,782	0
Chancery Court	108,395	110,679	110,679	2,284
<u>Public Safety</u>				
Sheriff's Department	578,408	589,277	645,710	67,302
Jail	1,171,611	997,061	1,171,770	159
Juvenile Services	14,295	15,890	15,890	1,595
Commissary	29,610	51,744	51,744	22,134
Civil Defense	27,453	37,036	37,036	9,583
Rescue Squad	1,361	1,400	1,400	39
County Coroner/Medical Examiner	30,864	31,000	31,000	136
Other Public Safety	1,265	6,700	6,700	5,435
<u>Public Health and Welfare</u>				
Local Health Center	59,211	60,000	60,000	789
Ambulance/Emergency Medical Services	844,114	779,053	845,580	1,466
Alcohol and Drug Programs	0	1,000	1,000	1,000
Crippled Children Services	415	415	415	0
Other Local Health Services	19,422	37,700	37,700	18,278
Sanitation Management	32,270	33,700	33,700	1,430
Other Public Health and Welfare	31,314	32,784	62,574	31,260

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 7,806	\$ 9,483	\$ 9,483	\$ 1,677
Libraries	61,714	63,434	63,435	1,721
Other Social, Cultural, and Recreational	7,165	0	3,182	(3,983)
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	29,240	49,929	49,929	20,689
Soil Conservation	19,122	17,520	19,440	318
<u>Other Operations</u>				
Veterans' Services	8,891	9,978	9,978	1,087
<u>Principal on Debt</u>				
General Government	64,344	64,346	95,510	31,166
<u>Interest on Debt</u>				
General Government	6,372	6,284	8,498	2,126
Total Expenditures	<u>\$ 4,573,816</u>	<u>\$ 4,514,920</u>	<u>\$ 4,933,333</u>	<u>\$ 359,517</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (420,208)	\$ (1,130,092)	\$ (1,335,773)	\$ 915,565
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 650,000	\$ 650,000	\$ (650,000)
Transfers Out	(166,500)	(135,000)	(206,500)	40,000
Total Other Financing Sources	<u>\$ (166,500)</u>	<u>\$ 515,000</u>	<u>\$ 443,500</u>	<u>\$ (610,000)</u>
Net Change in Fund Balance	\$ (586,708)	\$ (615,092)	\$ (892,273)	\$ 305,565
Fund Balance, July 1, 2014	<u>1,169,712</u>	<u>1,166,637</u>	<u>1,166,637</u>	<u>3,075</u>
Fund Balance, June 30, 2015	<u>\$ 583,004</u>	<u>\$ 551,545</u>	<u>\$ 274,364</u>	<u>\$ 308,640</u>

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

Exhibit C-6

Hancock County, Tennessee  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Highway/Public Works Fund  
 For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 27,227	\$ 0	\$ 27,227	\$ 0	\$ 0	\$ 27,227
State of Tennessee	1,602,088	0	1,602,088	1,924,098	1,924,098	(322,010)
Total Revenues	\$ 1,629,315	\$ 0	\$ 1,629,315	\$ 1,924,098	\$ 1,924,098	\$ (294,783)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 443,325	\$ 0	\$ 443,325	\$ 515,162	\$ 515,162	\$ 71,837
Highway and Bridge Maintenance	907,760	11,155	918,915	1,072,093	1,072,093	153,178
Operation and Maintenance of Equipment	105,145	0	105,145	173,240	173,240	68,095
Other Charges	72,006	0	72,006	78,952	78,952	6,946
Employee Benefits	121,002	0	121,002	131,300	131,300	10,298
Capital Outlay	303,418	0	303,418	812,464	812,464	509,046
Total Expenditures	\$ 1,952,656	\$ 11,155	\$ 1,963,811	\$ 2,783,211	\$ 2,783,211	\$ 819,400
Excess (Deficiency) of Revenues Over Expenditures	\$ (323,341)	\$ (11,155)	\$ (334,496)	\$ (859,113)	\$ (859,113)	\$ 524,617
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ (323,341)	\$ (11,155)	\$ (334,496)	\$ (859,113)	\$ (859,113)	\$ 524,617
	974,357	0	974,357	859,113	859,113	115,244
Fund Balance, June 30, 2015	\$ 651,016	\$ (11,155)	\$ 639,861	\$ 0	\$ 0	\$ 639,861

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

Exhibit D-1

Hancock County, Tennessee  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

Business-type  
 Activities -  
 Major Enterprise  
 Fund  


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 Home  
 Health  
 Fund  


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ASSETS

Current Assets:

Equity in Pooled Cash and Investments	\$ 2,206,224
Accounts Receivable	131,951
Allowance for Uncollectibles	(54,578)
Total Current Assets	<u>\$ 2,283,597</u>

Noncurrent Assets:

Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,350
Assets Net of Accumulated Depreciated:	
Buildings and Improvements	294,114
Total Noncurrent Assets	<u>\$ 320,464</u>
Total Assets	<u>\$ 2,604,061</u>

LIABILITIES

Current Liabilities:

Accrued Payroll	\$ 19,226
Payroll Deductions Payable	615
Accrued Leave - Current	8,257
Due to Other Funds	420
Due to State of Tennessee	413
Total Current Liabilities	<u>\$ 28,931</u>

Noncurrent Liabilities:

Accrued Leave - Long-term	<u>\$ 8,257</u>
Total Noncurrent Liabilities	<u>\$ 8,257</u>
Total Liabilities	<u>\$ 37,188</u>

(Continued)

Exhibit D-1

Hancock County, Tennessee  
Statement of Net Position  
Proprietary Fund (Cont.)

	<u>Business-type Activities - Major Enterprise Fund</u> <u>Home Health Fund</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 320,464
Net Position - Unrestricted	<u>2,246,409</u>
Total Net Position	<u><u>\$ 2,566,873</u></u>

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

Exhibit D-2

Hancock County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2015

	Business-type Activities - Major Enterprise Fund
	<u>Home Health Fund</u>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,205,121
Sale of Material and Supplies	195,721
Miscellaneous Refunds	5,182
Total Operating Revenues	<u>\$ 2,406,024</u>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 109,110
Medical Personnel	780,523
Night Watchmen	6,000
Clerical Personnel	92,141
Custodial Personnel	5,746
Other Salaries and Wages	6,380
Board and Committee Members Fees	3,600
In-service Training	35
Social Security	60,485
Employee and Dependent Insurance	48,947
Unemployment Compensation	3,864
Employer Medicare	14,146
Advertising	3,514
Communication	19,896
Contributions	418
Data Processing	55,667
Dues and Memberships	6,761
Operating Lease Payments	3,305
Legal Services	5,401
Legal Notices, Recording, and Court Costs	5,385
Licenses	3,305
Maintenance and Repair Services - Buildings	2,262
Maintenance and Repair Services - Office Equipment	599
Maintenance and Repair Services - Vehicles	723

(Continued)

Exhibit D-2

Hancock County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund (Cont.)

	Business-type Activities - Major Enterprise Fund
	Home Health Fund
	<hr/>
<u>Operating Expenses (Cont.)</u>	
<u>Cost of Sales and Services (Cont.)</u>	
Medical and Dental Services	\$ 4,978
Printing, Stationery, and Forms	1,481
Postal Charges	3,387
Rentals	18,000
Travel	115,768
Other Contracted Services	594,549
Custodial Supplies	1,564
Drugs and Medical Supplies	98,937
Electricity	7,081
Gasoline	1,452
Office Supplies	16,040
Propane Gas	2,391
Uniforms	858
Water and Sewer	1,724
Other Supplies and Materials	1,414
Liability Insurance	4,588
Refunds	1,368
Vehicle and Equipment Insurance	2,410
Premium on Corporate Surety Bonds	1,021
Depreciation	8,561
Other Charges	16,022
Building Improvements	174
Office Equipment	572
Total Operating Expenses	<hr/> \$ 2,142,553 <hr/>
Operating Income (Loss)	<hr/> \$ 263,471 <hr/>
Change in Net Position	\$ 263,471
Net Position, July 1, 2014	<hr/> 2,303,402 <hr/>
Net Position, June 30, 2015	<hr/> \$ 2,566,873 <hr/>

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

Exhibit D-3

Hancock County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2015

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,414,899
Payments to Employees and Board Members	(979,408)
Payments for Fringe Benefits	(131,052)
Payments to Suppliers	(1,002,452)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 301,987</u>
Increase (Decrease) in Cash	\$ 301,987
Cash, July 1, 2014	<u>1,904,237</u>
Cash, June 30, 2015	<u><u>\$ 2,206,224</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 263,471
Adjustments to Reconcile Net Operating Income (Loss)	
to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	8,561
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	10,264
Increase (Decrease) in Allowance for Uncollectibles	(1,390)
Increase (Decrease) in Accounts Payable and Other Current Liabilities	16,215
Increase (Decrease) in Compensated Absences	4,866
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 301,987</u></u>

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

Exhibit E

Hancock County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 338,164
Equity in Pooled Cash and Investments	598,138
Accounts Receivable	693
Due from Other Governments	30,280
Prepaid Items	<u>2,536</u>
Total Assets	<u>\$ 969,811</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 28,168
Due to Other Taxing Units	602,786
Due to Litigants, Heirs, and Others	<u>338,857</u>
Total Liabilities	<u>\$ 969,811</u>

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

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

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**HANCOCK COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hancock 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 Hancock County:

**A. Reporting Entity**

Hancock County is a public municipal corporation governed by an elected 17-member board. As required by GAAP, these financial statements present Hancock 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 Hancock County School Department operates the public school system in the county, and the voters of Hancock 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 Hancock County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hancock County, and the Hancock County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Hancock County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

The Hancock County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Hancock County School Department are included in this report as listed

in the table of contents. Although required by GAAP, the financial statements of the Hancock County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Hancock County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Hancock County Emergency Communications District  
P.O. Box 347  
Sneedville, TN 37869

**Related Organization** – The Hancock County Industrial Development Board is a related organization of Hancock County. The county mayor nominates and the Hancock County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

**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 Hancock 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.

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

Separate financial statements are provided for governmental funds, proprietary funds (enterprise), and fiduciary funds. 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 fund 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 Hancock 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 outflow of resources, liabilities, deferred inflow 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. Hancock County only reports one proprietary fund, an enterprise 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 fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the

revenues are available. Hancock County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary and fiduciary fund 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.

Hancock 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. State gasoline tax is the foundational revenue 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.

Hancock County reports the following major proprietary fund:

**Home Health Fund** – This fund accounts for the transactions related to the Hancock County Home Health Care Program.

Additionally, Hancock County reports the following fund types:

**Capital Projects Funds** – These funds are used to account for financial resources to be used in the acquisition or construction of capital assets.

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

The discretely presented Hancock 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.

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, an enterprise fund, which is used to account for the county's home health operations. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the enterprise fund are patient charges. Operating expenses of the enterprise fund include various expenses associated with the operation of the county's home health services.

**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 includes 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 and the discretely presented Hancock 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 Debt Service Fund. Hancock 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.

All ambulance, home health, and property taxes receivable are shown with an allowance for uncollectibles. Ambulance and home health receivable allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 4.48 percent of total taxes levied.

Capital leases receivable in the General Debt Service Fund represent future lease amounts due from a health care organization that operates the hospital. These receivables are offset with deferred inflows of resources in the fund financial statements.

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 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.

Most payables are disaggregated on the face of the financial statements. Other current liabilities in the primary government's Highway/Public Works funds represents the balance in the payroll tax clearing account at June 30, 2015. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teachers' insurance clearing account (\$108,058) and the school board members' scholarship account (\$21,324) at June 30, 2015.

### **3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of five or more 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>
Buildings and Improvements	15 - 40
Machinery and Equipment	5 - 15
Infrastructure:	
Roads	40
Bridges	40

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

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, capital lease receivable, long-term notes receivable, pension changes in investment earnings, and various receivables for revenues, which do not meet the availability criteria for 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 policy of Hancock County to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation of service. Also, the Hancock County Highway Department permits employees to accumulate a limited amount of earned but unused vacation benefits and sick leave, which will be paid to employees upon separation of service. These guaranteed payments are accrued when incurred in the government-wide financial statements. The granting of sick leave for other Hancock County employees has no guaranteed payment. A liability for vacation and sick leave benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation benefits for employees of the School Department do not vest or accumulate and must be used within the year or they are lost. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

benefits, net pension liability, and landfill closure/postclosure care costs, 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 fund 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.

As of June 30, 2015, Hancock County had \$8,592,860 in outstanding debt for capital purposes for the discretely presented Hancock County School Department. This debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hancock 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 and the Board of Education are authorized bodies to make assignments. Assigned fund balance in the General Fund consists of amounts appropriated for use in the 2015-16 year budget (\$79,876) and amounts assigned for library books (\$5,183). Assigned fund balance in the School Department's General Purpose School Fund consists of amounts appropriated for use in the 2015-16 year budget (\$355,964) and amounts assigned for school buses (\$19,250).

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

## 8. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to Hancock County's and the Hancock County School Department's beginning net position has been recognized on the Statement of Activities totaling (\$344,328) and (\$1,580,448), respectively.

**E. Pension Plans**

**Primary Government**

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

**Discretely Presented Hancock County School Department**

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

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

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

**Primary Government**

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

**Discretely Presented Hancock 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 Hancock 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 capital projects funds, which adopt 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, County Mayor, County Attorney, 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 GAAP basis is presented on the face of each budgetary schedule.

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Election Commission and the Other Social, Cultural, and Recreational major appropriation categories (the legal level of control) of the General Fund by \$759 and \$3,983, respectively. Expenditures exceeded total appropriations in the Solid Waste/Sanitation and Drug Control Funds by \$8,817 and \$853, respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance in the General Fund and by greater than anticipated revenues in the Solid Waste/Sanitation Fund and the Drug Control Fund.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Hancock County and the Hancock 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 the 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 or nonpooled investments as of June 30, 2015.

### **B. Lease Receivable/Long-term Note Receivable**

#### **Primary Government**

The General Debt Service Fund reports a lease receivable totaling \$1,434,050 at June 30, 2015. This lease receivable resulted from an agreement entered into by Hancock County and Wellmont Health System (Wellmont) to operate the hospital facility through 2028. Hancock County completed construction of the new hospital facility during the 2004-05 year and financed the facility through long-term debt and federal grants.

In prior years, Wellmont paid the county lease payments that were equal to the amount of debt service requirements on the county's outstanding county Hospital debt. During the current year the county amended its agreement with Wellmont resulting in reductions to the required lease payments, including the write-off of a prior year disputed amount of \$29,512 and an annual credit of \$170,000 which is deducted from the principal requirements on the outstanding debt. This amendment resulted in the write-down of the lease receivable by \$2,663,211, which has been reflected as a Special Item on the Statement of Activities.

Under the amended agreement, Wellmont has an option to purchase the facility for ten dollars at the end of the lease term or earlier upon the final payment of all outstanding amounts on the bonds. Wellmont also has the option to retire the bonds in accordance with the terms thereof at any time while the agreement is in effect.

The county's outstanding debt related to the hospital is reconciled below with the balance reported as lease receivable at June 30, 2015.

	Balance 06-30-15
Hospital Bond	\$ 3,360,000
Other Loans	<u>467,222</u>
Total Outstanding Debt Related to Hospital	<u>\$ 3,827,222</u>
Less: Balance of Future Credits and Adjustments based on Amendment to Lease	<u>(2,393,172)</u>
Total Lease Receivable	<u><u>\$ 1,434,050</u></u>

In the financial statements of the General Debt Service Fund, revenues of \$357,998 have been recognized from Wellmont during the year. This amount includes current payments under the amended agreement for principal and interest net of the \$170,000 annual credit. The entire amount of the balance for the lease receivable at June 30, 2015, is offset by deferred inflows of resources in the General Debt Service Fund.

**Discretely Presented Hancock County School Department**

In the 2005-06 fiscal year, the Hancock County Board of Education approved providing funds for tuition costs related to any teacher seeking a degree provided the teacher signs a promissory note and remains employed with the School Department for a minimum of three years. One employee who did not complete the requirements of the program has not yet reimbursed the School Department. Therefore, the financial statements of the General Purpose School Fund reflect a long-term note receivable of \$11,185 on June 30, 2015. The amount of notes receivable expected to be received within one year has not been determined. Therefore, the entire balance is reflected as a deferred inflow of resources.

**C. Capital Assets**

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

## Primary Government

### Governmental Activities:

	Balance			Balance
	7-1-14	Increases	Decreases	6-30-15
Capital Assets Not Depreciated:				
Land	\$ 422,474	\$ 0	\$ 0	\$ 422,474
Construction in Progress	0	45,118	0	45,118
Total Capital Assets Not Depreciated	<u>\$ 422,474</u>	<u>\$ 45,118</u>	<u>\$ 0</u>	<u>\$ 467,592</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,578,285	\$ 24,000	\$ 0	\$ 3,602,285
Machinery and Equipment	2,589,064	131,458	35,844	2,684,678
Infrastructure	<u>21,908,915</u>	<u>0</u>	<u>0</u>	<u>21,908,915</u>
Total Capital Assets Depreciated	<u>\$ 28,076,264</u>	<u>\$ 155,458</u>	<u>\$ 35,844</u>	<u>\$ 28,195,878</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,919,657	\$ 90,702	\$ 0	\$ 2,010,359
Machinery and Equipment	2,222,170	107,205	35,844	2,293,531
Infrastructure	<u>8,604,631</u>	<u>547,723</u>	<u>0</u>	<u>9,152,354</u>
Total Accumulated Depreciation	<u>\$ 12,746,458</u>	<u>\$ 745,630</u>	<u>\$ 35,844</u>	<u>\$ 13,456,244</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,329,806</u>	<u>\$ (590,172)</u>	<u>\$ 0</u>	<u>\$ 14,739,634</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,752,280</u>	<u>\$ (545,054)</u>	<u>\$ 0</u>	<u>\$ 15,207,226</u>

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

**Governmental Activities:**

General Government	\$ 17,668
Public Safety	80,842
Public Health and Welfare	75,715
Social, Cultural, and Recreational Services	6,500
Agriculture and Natural Resources	482
Highway/Public Works	<u>564,423</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 745,630</u></u>

**Business-type Activities:**

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	\$ 26,350	\$ 0	\$ 26,350
Total Capital Assets Not Depreciated	<u>\$ 26,350</u>	<u>\$ 0</u>	<u>\$ 26,350</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 342,466	\$ 0	\$ 342,466
Total Capital Assets Depreciated	<u>\$ 342,466</u>	<u>\$ 0</u>	<u>\$ 342,466</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 39,791	\$ 8,561	\$ 48,352
Total Accumulated Depreciation	<u>\$ 39,791</u>	<u>\$ 8,561</u>	<u>\$ 48,352</u>
Total Capital Assets Depreciated, Net	<u>\$ 302,675</u>	<u>\$ (8,561)</u>	<u>\$ 294,114</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 329,025</u></u>	<u><u>\$ (8,561)</u></u>	<u><u>\$ 320,464</u></u>

There were no decreases in capital assets to report during the year ended June 30, 2015.

Depreciation expense totaling \$8,561 was charged to the Home Health Fund (enterprise fund).

**Discretely Presented Hancock County School Department**

**Governmental Activities:**

	Balance				Balance
	7-1-14	Increases	Decreases		6-30-15
Capital Assets Not Depreciated:					
Land	\$ 453,150	\$ 0	\$ 0		\$ 453,150
Construction in Progress	44,617	14,060	58,677		0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 497,767</b>	<b>\$ 14,060</b>	<b>\$ 58,677</b>		<b>\$ 453,150</b>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 15,573,433	\$ 45,379	\$ 0		\$ 15,618,812
Machinery and Equipment	1,639,590	100,427	16,000		1,724,017
<b>Total Capital Assets Depreciated</b>	<b>\$ 17,213,023</b>	<b>\$ 145,806</b>	<b>\$ 16,000</b>		<b>\$ 17,342,829</b>
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 5,525,318	\$ 471,184	\$ 0		\$ 5,996,502
Machinery and Equipment	1,072,927	92,215	5,066		1,160,076
<b>Total Accumulated Depreciation</b>	<b>\$ 6,598,245</b>	<b>\$ 563,399</b>	<b>\$ 5,066</b>		<b>\$ 7,156,578</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 10,614,778</b>	<b>\$ (417,593)</b>	<b>\$ 10,934</b>		<b>\$ 10,186,251</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,112,545</b>	<b>\$ (403,533)</b>	<b>\$ 69,611</b>		<b>\$ 10,639,401</b>

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

**Governmental Activities:**

Instruction	\$	471,184
Support Services		77,318
Operation of Non-instructional Services		<u>14,897</u>
Total Depreciation Expense - Governmental Activities	\$	<u>563,399</u>

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

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

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Major enterprise fund	\$ 420
General	Nonmajor governmental	2,313
Nonmajor governmental	General	2,153
Discretely Presented School Department:		
School Federal Projects	General Purpose School	558

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Component Unit: School Department: General Purpose School	\$ 1,735

**Interfund Transfers:**

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

**Primary Government**

Transfer Out	Transfer In Nonmajor Governmental Funds
General Fund	\$ 166,500

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.

**E. Capital Lease**

On May 3, 2012, Hancock County entered into a three-year lease-purchase agreement for patrol vehicles. The terms of the agreement require total lease payments of \$135,581 plus interest of 6.1 percent. Title to the vehicles transfers to Hancock County at the end of the lease period. The General Fund is making the lease payments.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 135,581
Less: Accumulated Depreciation	<u>(85,868)</u>
Total Book Value	<u>\$ 49,713</u>

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

Year Ending June 30	Governmental Funds
2016	<u>\$ 37,339</u>
Total Minimum Lease Payments	\$ 37,339
Less: Amount Representing Interest	<u>(2,147)</u>
Present Value of Minimum Lease Payments	<u>\$ 35,192</u>

**F. Long-term Obligations**

**Primary Government**

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

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, other loans have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, up to five years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2015, will be retired from the General and General Debt Service funds.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	5.6%	12-15-28	\$6,000,000	\$3,360,000
Capital Outlay Notes	2 to 3.39	11-3-16	258,529	97,176
Other Loans	Variable	5-25-28	13,650,000	9,030,570
Capital Leases	6.1	7-3-15	135,581	35,192

In prior years, Hancock County entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$12,000,000 and \$1,650,000 to Hancock County to finance the school building program and to finance school capital projects and hospital building projects, respectively. The loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2015, the variable interest rate and other fees for the other loan agreements were as follows:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-15	Interest Type	Interest Rates as of 6-30-15	Other Fees on Variable Rate Debt
-------------	--------------------------------------------	-------------------------------------	------------------	---------------------------------------	-------------------------------------------

Montgomery County Public

Building Authority

School Construction					
Loan	\$ 12,000,000	\$ 8,200,000	Variable	.13%	1.33%
School Construction and Hospital Equipment					
Loan	1,650,000	<u>830,570</u>	Variable	.06	1.44
Total		<u>\$ 9,030,570</u>			

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 240,000	\$ 190,773	\$ 430,773
2017	240,000	177,147	417,147
2018	240,000	163,968	403,968
2019	240,000	149,893	389,893
2020	240,000	136,267	376,267
2021-2025	1,200,000	477,232	1,677,232
2026-2029	960,000	136,416	1,096,416
Total	<u>\$ 3,360,000</u>	<u>\$ 1,431,696</u>	<u>\$ 4,791,696</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 64,176	\$ 2,377	\$ 66,553
2017	33,000	660	33,660
Total	<u>\$ 97,176</u>	<u>\$ 3,037</u>	<u>\$ 100,213</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 559,000	\$ 11,158	\$ 121,236	\$ 691,394
2017	590,000	10,473	113,723	714,196
2018	632,000	9,748	105,796	747,544
2019	658,000	8,970	97,307	764,277
2020	695,000	8,158	88,471	791,629
2021-2025	4,024,000	26,981	292,486	4,343,467
2026-2028	1,872,570	3,516	38,436	1,914,522
Total	\$ 9,030,570	\$ 79,004	\$ 857,455	\$ 9,967,029

There is \$1,631,154 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,836, based on the 2010 federal census.

#### Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2014	\$ 3,600,000	\$ 161,352	\$ 68,360
Reductions	(240,000)	(64,176)	(33,168)
Balance, June 30, 2015	\$ 3,360,000	\$ 97,176	\$ 35,192
Balance Due Within One Year	\$ 240,000	\$ 64,176	\$ 35,192

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2014	\$ 76,580	\$ 9,567,570	\$ 32,864
Additions	1,187	0	24,171
Reductions	0	(537,000)	(18,864)
Balance, June 30, 2015	<u>\$ 77,767</u>	<u>\$ 9,030,570</u>	<u>\$ 38,171</u>
Balance Due Within One Year	<u>\$ 4,031</u>	<u>\$ 559,000</u>	<u>\$ 19,085</u>

	Other Postemployment Benefits	Net Pension Liability
Balance, July 1, 2014	\$ 42,074	\$ 391,407 (1)
Additions	9,043	246,204
Reductions	(3,899)	(371,343)
Balance, June 30, 2015	<u>\$ 47,218</u>	<u>\$ 266,268</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 12,952,362
Less: Balance Due Within One Year	<u>(921,484)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,030,878</u>

(1) Pension liabilities as of 7-1-14 have been restated with the implementation of GASB Statement No. 68.

Compensated absences, net pension liability, 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.

**Hancock County Home Health Fund (enterprise fund)**

Long-term obligations activity for the Home Health Fund (enterprise fund) for the year ended June 30, 2015, was as follows:

Business-type Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2014	\$ 11,648
Additions	10,690
Reductions	<u>(5,824)</u>
Balance, June 30, 2015	<u>\$ 16,514</u>
Balance Due Within One Year	<u>\$ 8,257</u>

**Discretely Presented Hancock County School Department**

**Changes in Long-term Obligations**

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

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2014	\$ 340,793
Additions	41,351
Reductions	<u>(23,112)</u>
Balance, June 30, 2015	<u>\$ 359,032</u>
Balance Due Within One Year	<u>\$ 0</u>

**G. Pledges of Future Revenues**

The Board of Education pledged, by resolution, a minimum of \$541,000 per year for the next 13 years to the General Debt Service Fund from the Basic Education Program to provide funds for the retirement of debt issued for school construction. Because of increased principal requirements on the debt for the current year, the School Department contributed \$613,033 to the General Debt Service Fund.

**H. On-Behalf Payments – Discretely Presented Hancock County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and

reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$26,308 and \$8,220, 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

Hancock County purchases commercial insurance for general liability on county assets. However, except as discussed in the following paragraph, Hancock County does not maintain workers' compensation or insurance coverage on county buildings and their contents.

The Hancock County Emergency Medical Services Department has purchased commercial insurance coverage for its building and contents. The Hancock County Highway Department purchases commercial insurance for general liability and workers' compensation coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Hancock County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance 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, *Tennessee Code Annotated*, 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 Hancock County School Department

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

The 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, *Tennessee Code Annotated (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.

**B. Accounting Changes**

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

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

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

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

**C. Subsequent Events**

On July 13, 2015, the County Commission approved the issuance of general obligation refunding bonds not to exceed \$9,350,000 to refinance all or a portion of the county's outstanding variable rate loan agreements. The refunding bonds have not been issued as of the date of this report.

**D. Changes in Administration**

On August 31, 2014, Leamon Maxey left the Office of Sheriff and was succeeded by Ralph Seal, and Bill McMurry left the office of Circuit and General Sessions Courts Clerk and was succeeded by Micah Wallen.

On December 31, 2014, Michael Antrican left the Office of Director of Schools and was succeeded by Tony Seal.

**E. Landfill Postclosure Care Costs**

Hancock County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has 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 county to place a final cover on its 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 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Hancock County closed its sanitary landfill in 1997. The \$77,767 reported as postclosure liability at June 30, 2015, represents amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District; Greene, Hamblen, Hancock, and Hawkins 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 each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2015, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
Third Judicial District  
109 South Main Street, Suite 501  
Greeneville, TN 37743

**G. Jointly Governed Organization**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated*, and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock,

Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors/executives of each county or the county mayor's/executive's designee and one nonvoting member representing the Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center manager as an ex-officio member, is in charge of daily operations of the center.

## **H. Retirement Commitments**

### **Tennessee Consolidated Retirement System (TCRS)**

#### **Primary Government**

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

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	7
Inactive Employees Entitled to But Not Yet Receiving Benefits	8
Active Employees	9
 Total	 <hr/> <hr/> 24

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Hancock County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hancock County were \$51,311 based on a rate of 7.59 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hancock County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

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

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

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

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

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the

period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Hancock County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in

accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 2,164,019	\$ 1,772,612	\$ 391,407
Changes for the year:			
Service Cost	\$ 38,224	\$ 0	\$ 38,224
Interest	161,315	0	161,315
Differences Between Expected and Actual Experience	46,171	0	46,171
Contributions-Employer	0	47,079	(47,079)
Contributions-Employees	0	32,375	(32,375)
Net Investment Income	0	291,889	(291,889)
Benefit Payments, Including Refunds of Employee Contributions	(102,749)	(102,749)	0
Administrative Expense	0	(494)	494
Other Changes	0	0	0
Net Changes	<u>\$ 142,961</u>	<u>\$ 268,100</u>	<u>\$ (125,139)</u>
Balance, June 30, 2014	<u>\$ 2,306,980</u>	<u>\$ 2,040,712</u>	<u>\$ 266,268</u>

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

		1%	Current Discount Rate	1%
		Decrease		Increase
Hancock County		6.5%	7.5%	8.5%
Net Pension Liability	\$ 498,160		\$ 266,268	\$ 67,222

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

*Pension Expense.* For the year ended June 30, 2015, Hancock County recognized pension expense of \$15,180.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 34,628	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	127,868
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	51,311	N/A
Total	\$ 85,939	\$ 127,868

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

Hancock County’s employer contributions of \$51,311 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (20,424)
2017	(20,424)
2018	(20,424)
2019	(31,967)
2020	0
Thereafter	0

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

### **Payable to the Pension Plan**

At June 30, 2015, Hancock County reported a payable of \$203 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

### **Discretely Presented Hancock County School Department**

#### **Certified Employees**

#### **Teacher Retirement Plan**

##### General Information About the Pension Plan

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

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level approved by the TCRS Board of Trustees is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$7,752, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 7,752	N/A

The Hancock County School Department’s employer contributions of \$7,752 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

**Teacher Legacy Pension Plan**

General Information About the Pension Plan

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

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of

service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Hancock County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$400,770, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension Assets.* At June 30, 2015, the Hancock County School Department reported an asset of \$19,398 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Hancock County School Department's proportion of the net pension asset was based on the Robertson County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Hancock County School Department's proportion was 0.119372 percent. The proportion measured as of June 30, 2013, was 0.121321 percent.

*Pension Income.* For the year ended June 30, 2015, the Hancock County School Department recognized a pension income of \$21,219.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 47,092	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,598,221
Changes in Proportion of Net Pension Liability (Asset)	0	27,498
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>400,770</u>	<u>N/A</u>
Total	<u>\$ 447,862</u>	<u>\$ 1,625,719</u>

The Hancock County School Department's employer contributions of \$400,770 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (396,289)
2017	(396,289)
2018	(396,289)
2019	(396,289)
2020	3,266
Thereafter	3,266

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

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

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 3,271,587	\$ (19,398)	\$ (2,743,976)

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

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

Plan Description

Hancock County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of each plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The county does not pay any portion of retirees' insurance premiums. Their premiums, less amounts contributed by the state, are paid entirely by the retirees.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 41,000	\$ 9,000
Interest on the NOPEBO	13,632	1,683
Adjustment to the ARC	(13,281)	(1,640)
Annual OPEB cost	\$ 41,351	\$ 9,043
Amount of contribution	(23,112)	(3,899)
Increase/decrease in NOPEBO	\$ 18,239	\$ 5,144
Net OPEB obligation, 7-1-14	340,793	42,074
Net OPEB obligation, 6-30-15	\$ 359,032	\$ 47,218

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 109,393	23 %	\$ 330,774
6-30-14	"	39,341	75	340,793
6-30-15	"	41,351	56	359,032
6-30-13	Local Government Group	19,959	13	34,080
6-30-14	"	9,035	12	42,074
6-30-15	"	9,043	43	47,218

Funded Status and Funding Progress

The funded status of the plans 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)	\$ 459,000	\$ 25,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 459,000	\$ 25,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 4,536,683	\$ 3,794,472
UAAL as a % of covered payroll	10.12%	0.66%

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 and the Local Education plans, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 Hancock County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

#### Office of Road Superintendent

Chapter 149, Private Acts of 1941, 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 Hancock 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 be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Hancock County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>
<b>Total Pension Liability (Asset)</b>	
Service Cost	\$ 38,224
Interest	161,315
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	46,171
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(102,749)
Net Change in Total Pension Liability (Asset)	\$ 142,961
Total Pension Liability (Asset), Beginning	<u>2,164,019</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 2,306,980</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 47,079
Contributions - Employee	32,375
Net Investment Income	291,889
Benefit Payments, Including Refunds of Employee Contributions	(102,749)
Administrative Expense	(494)
Net Change in Plan Fiduciary Net Position	\$ 268,100
Plan Fiduciary Net Position, Beginning	<u>1,772,612</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 2,040,712</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u><u>\$ 266,268</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 88.46%
Covered Employee Payroll	\$ 647,511
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	41.12%

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

Exhibit F-2

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

	2014	2015
Actuarially Determined Contribution	\$ 47,079	\$ 51,311
Less Contributions in Relation to the Actuarially Determined Contribution	(47,079)	(51,311)
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>
Covered Employee Payroll	\$ 647,511	\$ 675,956
Contributions as a Percentage of Covered Employee Payroll	7.27%	7.59%

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

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

	<u>2015</u>
Actuarially Determined Contribution	\$ 4,845
Less Contributions in Relation to the Actuarially Determined Contribution	(7,752)
Contribution Deficiency (Excess)	<u><u>(2,907)</u></u>
Covered Employee Payroll	\$ 193,812
Contributions as a Percentage of Covered Employee Payroll	4.00%

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

Exhibit F-4

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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 416,058	\$ 400,770
Less Contributions in Relation to the Actuarially Determined Contribution	(416,058)	(400,770)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,685,320	\$ 4,627,022
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.66%

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

Exhibit F-5

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

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.119372%
School Department's Proportionate Share of the Net Pension Asset	\$ 19,398
Covered Employee Payroll	\$ 4,685,320
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

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

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

Hancock County, Tennessee  
 Schedule of Funding Progress – Other Postemployment Benefits Plans  
 Primary Government and Discretely Presented Hancock County School Department  
 June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	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 *	7-1-11	\$ 0	\$ 29	\$ 29	0 %	\$ 3,598	1 %
"	7-1-13	0	25	25	0	3,794	1
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	692	692	0	4,712	15
"	7-1-11	0	820	820	0	4,283	19
"	7-1-13	0	459	459	0	4,537	10

\*Data only available for two actuarial valuations.

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

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

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

Methods and assumptions used to determine contribution rates:

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

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.

## Capital Projects Funds

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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General Capital Projects Fund – The General Capital Projects Fund was used during the year to account for public health and welfare capital expenditures.

Other Capital Projects Fund – The Other Capital Projects Fund has been used in prior years to account for public health and welfare capital expenditures as well as for the early retirement of industrial debt of the county. There was no activity in this fund in the 2014-2015 fiscal year.

Exhibit G-1

Hancock County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue Funds				Total	Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees			
\$	0 \$	0 \$	2,313 \$	2,313 \$	0	
Equity in Pooled Cash and Investments	108,668	23,536	0	132,204	4,150	
Accounts Receivable	50	0	0	50	0	
Due from Other Governments	540	0	0	540	0	
Due from Other Funds	2,153	0	0	2,153	0	
Property Taxes Receivable	293,836	0	0	293,836	0	
Allowance for Uncollectible Property Taxes	(25,775)	0	0	(25,775)	0	
Total Assets	\$ 379,472 \$	23,536 \$	2,313 \$	405,321 \$	4,150	

ASSETS

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

LIABILITIES

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

DEFERRED INFLOWS OF RESOURCES

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

(Continued)

Exhibit G-1

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

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	
\$	0 \$	23,536 \$	0 \$	23,536 \$	0
\$	0	0	0	0	4,150
	100,683	0	0	100,683	0
\$	100,683 \$	23,536 \$	0 \$	124,219 \$	4,150
\$	379,472 \$	23,536 \$	2,313 \$	405,321 \$	4,150

FUND BALANCES

Restricted:  
 Restricted for Public Safety  
 Restricted for Capital Projects  
 Committed:  
 Committed for Public Health and Welfare  
 Total Fund Balances  
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Capital Projects Funds (Cont.)

	Other Capital Projects	Total	Total Nonmajor Governmental Funds
--	------------------------------	-------	--------------------------------------------

\$	0 \$	0 \$	2,313
	61,859	66,009	198,213
	0	0	50
	0	0	540
	0	0	2,153
	0	0	293,836
	0	0	(25,775)

\$	61,859 \$	66,009 \$	471,330
----	-----------	-----------	---------

ASSETS

Cash	
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	
Accrued Payroll	
Due to Other Funds	
Due to State of Tennessee	
Total Liabilities	

DEFERRED INFLOWS OF RESOURCES

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

(Continued)

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

<u>Capital Projects Funds (Cont.)</u>		Total
Other Capital Projects	Total	Nonmajor Governmental Funds
\$ 0 \$	0 \$	23,536
61,859	66,009	66,009
0	0	100,683
<u>61,859 \$</u>	<u>66,009 \$</u>	<u>190,228</u>
<u>61,859 \$</u>	<u>66,009 \$</u>	<u>471,330</u>

FUND BALANCES

Restricted:  
 Restricted for Public Safety  
 Restricted for Capital Projects  
 Committed:  
 Committed for Public Health and Welfare  
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit G-2

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

	Special Revenue Funds				Capital Projects Funds
	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	
<u>Revenues</u>					
Local Taxes	\$ 299,584	\$ 0	\$ 0	\$ 299,584	\$ 0
Fines, Forfeitures, and Penalties	0	7,624	0	7,624	0
Charges for Current Services	40	0	53	93	0
Other Local Revenues	3,592	0	0	3,592	0
State of Tennessee	4,615	0	0	4,615	0
Federal Government	0	0	0	0	170,820
<u>Total Revenues</u>	<u>\$ 307,831</u>	<u>\$ 7,624</u>	<u>\$ 53</u>	<u>\$ 315,508</u>	<u>\$ 170,820</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 53	\$ 53	\$ 0
Public Safety	0	2,908	0	2,908	0
Public Health and Welfare	384,299	0	0	384,299	0
Capital Projects	0	0	0	0	170,820
<u>Total Expenditures</u>	<u>\$ 384,299</u>	<u>\$ 2,908</u>	<u>\$ 53</u>	<u>\$ 387,260</u>	<u>\$ 170,820</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,468)	\$ 4,716	\$ 0	\$ (71,752)	\$ 0
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 166,500	\$ 0	\$ 0	\$ 166,500	\$ 0
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 166,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 166,500</u>	<u>\$ 0</u>

(Continued)

Exhibit G-2

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

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	
Net Change in Fund Balances	\$ 90,032	\$ 4,716	\$ 0	\$ 94,748	\$ 0
Fund Balance, July 1, 2014	10,651	18,820	0	29,471	4,150
Fund Balance, June 30, 2015	\$ 100,683	\$ 23,536	\$ 0	\$ 124,219	\$ 4,150

(Continued)

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

	Capital Projects Funds (Cont.)		
	Other Capital Projects	Total	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0 \$	0 \$	299,584
Fines, Forfeitures, and Penalties	0	0	7,624
Charges for Current Services	0	0	93
Other Local Revenues	0	0	3,592
State of Tennessee	0	0	4,615
Federal Government	0	170,820	170,820
Total Revenues	\$ 0 \$	170,820 \$	486,328
<u>Expenditures</u>			
Current:			
Administration of Justice	\$ 0 \$	0 \$	53
Public Safety	0	0	2,908
Public Health and Welfare	0	0	384,299
Capital Projects	0	170,820	170,820
Total Expenditures	\$ 0 \$	170,820 \$	558,080
Excess (Deficiency) of Revenues Over Expenditures	\$ 0 \$	0 \$	(71,752)
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 0 \$	0 \$	166,500
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	166,500

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		
	Other Capital Projects	Total	Total Nonmajor Governmental Funds
Net Change in Fund Balances	\$ 0 \$	0 \$	94,748
Fund Balance, July 1, 2014	61,859	66,009	95,480
Fund Balance, June 30, 2015	\$ 61,859 \$	66,009 \$	190,228

Exhibit G-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 299,584	\$ 216,673	\$ 216,673	\$ 82,911
Charges for Current Services	40	300	300	(260)
Other Local Revenues	3,592	4,100	4,100	(508)
State of Tennessee	4,615	0	0	4,615
Total Revenues	<u>\$ 307,831</u>	<u>\$ 221,073</u>	<u>\$ 221,073</u>	<u>\$ 86,758</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 384,299	\$ 298,220	\$ 375,482	\$ (8,817)
Total Expenditures	<u>\$ 384,299</u>	<u>\$ 298,220</u>	<u>\$ 375,482</u>	<u>\$ (8,817)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (76,468)</u>	<u>\$ (77,147)</u>	<u>\$ (154,409)</u>	<u>\$ 77,941</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 166,500	\$ 135,000	\$ 206,500	\$ (40,000)
Total Other Financing Sources	<u>\$ 166,500</u>	<u>\$ 135,000</u>	<u>\$ 206,500</u>	<u>\$ (40,000)</u>
Net Change in Fund Balance	\$ 90,032	\$ 57,853	\$ 52,091	\$ 37,941
Fund Balance, July 1, 2014	<u>10,651</u>	<u>10,651</u>	<u>10,651</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 100,683</u>	<u>\$ 68,504</u>	<u>\$ 62,742</u>	<u>\$ 37,941</u>

Exhibit G-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 7,624	\$ 5,350	\$ 5,350	\$ 2,274
Total Revenues	\$ 7,624	\$ 5,350	\$ 5,350	\$ 2,274
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 2,908	\$ 2,055	\$ 2,055	\$ (853)
Total Expenditures	\$ 2,908	\$ 2,055	\$ 2,055	\$ (853)
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,716	\$ 3,295	\$ 3,295	\$ 1,421
Net Change in Fund Balance	\$ 4,716	\$ 3,295	\$ 3,295	\$ 1,421
Fund Balance, July 1, 2014	18,820	18,820	18,820	0
Fund Balance, June 30, 2015	\$ 23,536	\$ 22,115	\$ 22,115	\$ 1,421

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit H

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 70,055	\$ 51,506	\$ 51,506	\$ 18,549
Other Local Revenues	8,782	31,500	31,500	(22,718)
State of Tennessee	219	0	0	219
Other Governments and Citizens Groups	971,031	545,957	545,957	425,074
Total Revenues	<u>\$ 1,050,087</u>	<u>\$ 628,963</u>	<u>\$ 628,963</u>	<u>\$ 421,124</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 303,039	\$ 303,039	\$ 303,039	0
Education	506,961	506,961	506,961	0
<u>Interest on Debt</u>				
General Government	204,635	224,612	224,612	19,977
Education	20,876	450,957	450,957	430,081
<u>Other Debt Service</u>				
General Government	7,978	13,000	13,000	5,022
Education	118,926	135,100	135,100	16,174
Total Expenditures	<u>\$ 1,162,415</u>	<u>\$ 1,633,669</u>	<u>\$ 1,633,669</u>	<u>\$ 471,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (112,328)</u>	<u>\$ (1,004,706)</u>	<u>\$ (1,004,706)</u>	<u>\$ 892,378</u>
Net Change in Fund Balance	\$ (112,328)	(1,004,706)	(1,004,706)	892,378
Fund Balance, July 1, 2014	<u>1,743,482</u>	<u>1,743,482</u>	<u>1,743,482</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 1,631,154</u>	<u>\$ 738,776</u>	<u>\$ 738,776</u>	<u>\$ 892,378</u>

# Fiduciary Funds

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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.

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

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 to the state, cities, other county funds, litigants, heirs, and others.

Other Agency Fund – The Other Agency Fund is used to account for amounts received and disbursed in an agency capacity for the Hancock County Emergency Communications District.

Exhibit I-1

Hancock County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2015

	<u>Agency Funds</u>			Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 338,164	\$ 0	\$ 338,164
Equity in Pooled Cash and Investments	0	0	598,138	598,138
Accounts Receivable	0	693	0	693
Due from Other Governments	30,280	0	0	30,280
Prepaid Items	0	0	2,536	2,536
Total Assets	<u>\$ 30,280</u>	<u>\$ 338,857</u>	<u>\$ 600,674</u>	<u>\$ 969,811</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 28,168	\$ 28,168
Due to Other Taxing Units	30,280	0	572,506	602,786
Due to Litigants, Heirs, and Others	0	338,857	0	338,857
Total Liabilities	<u>\$ 30,280</u>	<u>\$ 338,857</u>	<u>\$ 600,674</u>	<u>\$ 969,811</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 179,222	\$ 179,222	\$ 0
Due from Other Governments	27,384	30,280	27,384	30,280
<b>Total Assets</b>	<b>\$ 27,384</b>	<b>\$ 209,502</b>	<b>\$ 206,606</b>	<b>\$ 30,280</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,384	\$ 209,502	\$ 206,606	\$ 30,280
<b>Total Liabilities</b>	<b>\$ 27,384</b>	<b>\$ 209,502</b>	<b>\$ 206,606</b>	<b>\$ 30,280</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 455,113	\$ 925,211	\$ 1,042,160	\$ 338,164
Accounts Receivable	904	693	904	693
<b>Total Assets</b>	<b>\$ 456,017</b>	<b>\$ 925,904</b>	<b>\$ 1,043,064</b>	<b>\$ 338,857</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 456,017	\$ 925,904	\$ 1,043,064	\$ 338,857
<b>Total Liabilities</b>	<b>\$ 456,017</b>	<b>\$ 925,904</b>	<b>\$ 1,043,064</b>	<b>\$ 338,857</b>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 498,661	\$ 254,220	\$ 154,743	\$ 598,138
Accounts Receivable	2,844	0	2,844	0
Prepaid Items	2,481	2,536	2,481	2,536
<b>Total Assets</b>	<b>\$ 503,986</b>	<b>\$ 256,756</b>	<b>\$ 160,068</b>	<b>\$ 600,674</b>
<u>Liabilities</u>				
Accounts Payable	\$ 593	\$ 28,168	\$ 593	\$ 28,168
Due to Other Taxing Units	503,393	228,588	159,475	572,506
<b>Total Liabilities</b>	<b>\$ 503,986</b>	<b>\$ 256,756</b>	<b>\$ 160,068</b>	<b>\$ 600,674</b>

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 455,113	\$ 925,211	\$ 1,042,160	\$ 338,164
Equity in Pooled Cash and Investments	498,661	433,442	333,965	598,138
Accounts Receivable	3,748	693	3,748	693
Due from Other Governments	27,384	30,280	27,384	30,280
Prepaid Items	2,481	2,536	2,481	2,536
Total Assets	<u>\$ 987,387</u>	<u>\$ 1,392,162</u>	<u>\$ 1,409,738</u>	<u>\$ 969,811</u>
<u>Liabilities</u>				
Accounts Payable	\$ 593	\$ 28,168	\$ 593	\$ 28,168
Due to Other Taxing Units	530,777	438,090	366,081	602,786
Due to Litigants, Heirs, and Others	456,017	925,904	1,043,064	338,857
Total Liabilities	<u>\$ 987,387</u>	<u>\$ 1,392,162</u>	<u>\$ 1,409,738</u>	<u>\$ 969,811</u>

# Hancock County School Department

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

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

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

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

Exhibit J-1

Hancock County, Tennessee  
 Statement of Activities  
 Discretely Presented Hancock County School Department  
 For the Year Ended June 30, 2015

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions
Governmental Activities:				
Instruction	\$ 5,576,261	\$ 2,045	\$ 474,707	\$ (5,099,509)
Support Services	3,165,404	0	309,136	(2,856,268)
Operation of Non-instructional Services	1,456,884	53,599	1,288,997	(114,288)
<b>Total Governmental Activities</b>	<b>\$ 10,198,549</b>	<b>\$ 55,644</b>	<b>\$ 2,072,840</b>	<b>\$ (8,070,065)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 617,638
Local Option Sales Taxes				235,603
Wheel Tax				56,798
Wholesale Beer Tax				1,074
Interstate Telecommunications Tax				642
Grants and Contributions Not Restricted for Specific Programs				6,805,136
Unrestricted Investment Income				652
Miscellaneous				34,177
Pension Income				21,219
<b>Total General Revenues</b>				<b>\$ 7,772,939</b>
Change in Net Position				\$ (297,126)
Net Position, July 1, 2014				13,212,434
Restatement - Pension Liability (see Note I.D.8)				(1,580,448)
<b>Net Position, June 30, 2015</b>				<b>\$ 11,334,860</b>

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

	Major Funds			Nonmajor Fund		Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria			
<b>ASSETS</b>						
Cash	\$ 21,324	\$ 0	\$ 8,292	\$		29,616
Equity in Pooled Cash and Investments	2,053,257	85,607	146,785			2,285,649
Accounts Receivable	60	0	0			60
Due from Other Governments	48,715	2,744	0			51,459
Due from Other Funds	0	558	0			558
Property Taxes Receivable	688,877	0	0			688,877
Allowance for Uncollectible Property Taxes	(56,897)	0	0			(56,897)
Notes Receivable - Long-term	11,185	0	0			11,185
<b>Total Assets</b>	<b>\$ 2,766,521</b>	<b>\$ 88,909</b>	<b>\$ 155,077</b>	<b>\$</b>	<b>\$</b>	<b>3,010,507</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 52,254	\$ 8,909	\$ 3,611	\$		64,774
Due to Other Funds	558	0	0			558
Due to Primary Government	1,735	0	0			1,735
Other Current Liabilities	129,382	0	0			129,382
<b>Total Liabilities</b>	<b>\$ 183,929</b>	<b>\$ 8,909</b>	<b>\$ 3,611</b>	<b>\$</b>	<b>\$</b>	<b>196,449</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Current Property Taxes	\$ 608,860	\$ 0	\$ 0	\$		608,860
Deferred Delinquent Property Taxes	22,399	0	0			22,399
Other Deferred/Unavailable Revenue	30,303	0	0			30,303
<b>Total Deferred Inflows of Resources</b>	<b>\$ 661,562</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$</b>	<b>\$</b>	<b>661,562</b>

(Continued)

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

	Major Funds			Nonmajor Fund		Total Governmental Funds
	General Purpose School	School Federal Projects		Central Cafeteria		
\$	3,862	\$	0	\$	151,466	\$ 155,328
	0		80,000		0	80,000
	407,033		0		0	407,033
	355,964		0		0	355,964
	19,250		0		0	19,250
	1,134,921		0		0	1,134,921
\$	1,921,030	\$	80,000	\$	151,466	\$ 2,152,496
\$	2,766,521	\$	88,909	\$	155,077	\$ 3,010,507

FUND BALANCES

Restricted:  
 Restricted for Education  
 Committed:  
 Committed for Education  
 Committed for Debt Service  
 Assigned:  
 Assigned for Education  
 Assigned for Capital Projects  
 Unassigned  
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit J-3

Hancock County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
Discretely Presented Hancock County School Department  
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 2,152,496
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 453,150	
Add: building and improvements net of accumulated depreciation	9,622,310	
Add: machinery and equipment net of accumulated depreciation	<u>563,941</u>	10,639,401
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability	<u>\$ (359,032)</u>	(359,032)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 455,614	
Less: deferred inflows of resources related to pensions	<u>(1,625,719)</u>	(1,170,105)
(4) Net pension assets of the cost-sharing plan are not current financial resources and are therefore not reported in the governmental funds.		19,398
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>52,702</u>
Net position of governmental activities (Exhibit A)		<u>\$ 11,334,860</u>

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

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Revenues</u>					
Local Taxes	\$ 915,207	\$ 0	\$ 0	\$ 0	\$ 915,207
Licenses and Permits	380	0	0	0	380
Charges for Current Services	0	0	53,599	0	53,599
Other Local Revenues	186,500	0	652	0	187,152
State of Tennessee	7,102,737	0	9,556	0	7,112,293
Federal Revenues	0	1,024,656	590,404	0	1,615,060
Total Revenues	\$ 8,204,824	\$ 1,024,656	\$ 654,211	\$ 0	\$ 9,883,691
<u>Expenditures</u>					
Current:					
Instruction	\$ 4,176,981	\$ 705,246	\$ 0	\$ 0	\$ 4,882,227
Support Services	2,797,238	321,764	0	0	3,119,002
Operation of Non-instructional Services	738,006	0	703,981	0	1,441,987
Capital Outlay	59,439	0	0	0	59,439
Debt Service:					
Other Debt Service	613,033	0	0	0	613,033
Total Expenditures	\$ 8,384,697	\$ 1,027,010	\$ 703,981	\$ 0	\$ 10,115,688
Excess (Deficiency) of Revenues Over Expenditures	\$ (179,873)	\$ (2,354)	\$ (49,770)	\$ 0	\$ (231,997)
Net Change in Fund Balances Fund Balance, July 1, 2014	\$ (179,873)	\$ (2,354)	\$ (49,770)	\$ 0	\$ (231,997)
	2,100,903	82,354	201,236	0	2,384,493
Fund Balance, June 30, 2015	\$ 1,921,030	\$ 80,000	\$ 151,466	\$ 0	\$ 2,152,496

Exhibit J-5

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

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	(231,997)
(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	\$	101,189	
Less: current-year depreciation expense		<u>(563,399)</u>	(462,210)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: net book value of assets disposed			(10,934)
(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, 2015	\$	52,702	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(56,189)</u>	(3,487)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability	\$	(18,239)	
Change in net pension liability/asset		1,599,846	
Change in deferred outflows related to pensions		455,614	
Change in deferred inflows related to pensions		<u>(1,625,719)</u>	<u>411,502</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ (297,126)</u>

Exhibit J-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 915,207	\$ 879,760	\$ 879,760	\$ 35,447
Licenses and Permits	380	600	600	(220)
Other Local Revenues	186,500	50,734	161,072	25,428
State of Tennessee	7,102,737	7,040,991	7,093,406	9,331
Total Revenues	<u>\$ 8,204,824</u>	<u>\$ 7,972,085</u>	<u>\$ 8,134,838</u>	<u>\$ 69,986</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,218,688	\$ 3,371,273	\$ 3,337,711	\$ 119,023
Alternative Instruction Program	57,286	57,018	57,644	358
Special Education Program	629,555	613,346	634,129	4,574
Vocational Education Program	271,452	277,579	280,279	8,827
<u>Support Services</u>				
Attendance	120,314	68,581	136,501	16,187
Health Services	100,078	100,798	104,097	4,019
Other Student Support	259,826	275,966	268,376	8,550
Regular Instruction Program	385,468	276,345	410,398	24,930
Special Education Program	43,413	58,563	43,415	2
Vocational Education Program	69,645	59,257	71,483	1,838
Other Programs	34,528	0	34,528	0
Board of Education	175,272	187,866	191,666	16,394
Director of Schools	113,517	119,710	121,267	7,750
Office of the Principal	259,146	267,159	270,090	10,944
Fiscal Services	92,832	101,470	102,722	9,890
Operation of Plant	593,348	614,703	627,973	34,625
Maintenance of Plant	67,534	75,488	76,182	8,648
Transportation	482,317	503,401	529,713	47,396
<u>Operation of Non-Instructional Services</u>				
Community Services	82,396	81,774	83,037	641
Early Childhood Education	655,610	655,609	655,610	0
<u>Capital Outlay</u>				
Regular Capital Outlay	59,439	6,000	63,870	4,431
<u>Other Debt Service</u>				
Education	613,033	541,000	613,033	0
Total Expenditures	<u>\$ 8,384,697</u>	<u>\$ 8,312,906</u>	<u>\$ 8,713,724</u>	<u>\$ 329,027</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (179,873)</u>	<u>\$ (340,821)</u>	<u>\$ (578,886)</u>	<u>\$ 399,013</u>
Net Change in Fund Balance	<u>\$ (179,873)</u>	<u>\$ (340,821)</u>	<u>\$ (578,886)</u>	<u>\$ 399,013</u>
Fund Balance, July 1, 2014	<u>2,100,903</u>	<u>340,821</u>	<u>578,886</u>	<u>1,522,017</u>
Fund Balance, June 30, 2015	<u>\$ 1,921,030</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,921,030</u>

Exhibit J-7

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,024,656	\$ 926,885	\$ 1,234,392	\$ (209,736)
Total Revenues	\$ 1,024,656	\$ 926,885	\$ 1,234,392	\$ (209,736)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 484,084	\$ 434,447	\$ 547,061	\$ 62,977
Special Education Program	200,761	195,197	233,199	32,438
Vocational Education Program	20,401	17,077	20,401	0
<u>Support Services</u>				
Other Student Support	51,198	59,356	107,036	55,838
Regular Instruction Program	241,252	193,069	298,668	57,416
Special Education Program	14,000	14,000	14,000	0
Vocational Education Program	1,120	1,100	1,120	0
Transportation	14,194	12,639	14,194	0
Total Expenditures	\$ 1,027,010	\$ 926,885	\$ 1,235,679	\$ 208,669
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,354)	\$ 0	\$ (1,287)	\$ (1,067)
Net Change in Fund Balance	\$ (2,354)	\$ 0	\$ (1,287)	\$ (1,067)
Fund Balance, July 1, 2014	82,354	0	1,287	81,067
Fund Balance, June 30, 2015	\$ 80,000	\$ 0	\$ 0	\$ 80,000

Exhibit J-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 53,599	\$ 0	\$ 0	\$ 53,599
Other Local Revenues	652	600	600	52
State of Tennessee	9,556	12,000	12,000	(2,444)
Federal Government	590,404	551,151	553,248	37,156
Total Revenues	<u>\$ 654,211</u>	<u>\$ 563,751</u>	<u>\$ 565,848</u>	<u>\$ 88,363</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 703,981	\$ 623,751	\$ 733,068	\$ 29,087
Total Expenditures	<u>\$ 703,981</u>	<u>\$ 623,751</u>	<u>\$ 733,068</u>	<u>\$ 29,087</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (49,770)</u>	<u>\$ (60,000)</u>	<u>\$ (167,220)</u>	<u>\$ 117,450</u>
Net Change in Fund Balance	\$ (49,770)	\$ (60,000)	\$ (167,220)	\$ 117,450
Fund Balance, July 1, 2014	<u>201,236</u>	<u>195,711</u>	<u>195,711</u>	<u>5,525</u>
Fund Balance, June 30, 2015	<u>\$ 151,466</u>	<u>\$ 135,711</u>	<u>\$ 28,491</u>	<u>\$ 122,975</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Hancock County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
 For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Paid and/or Matured During Period	Outstanding 6-30-15
<b>NOTES PAYABLE</b>							
Payable through General Fund							
Ambulance	\$ 93,529	3.39 %	7-31-12	7-31-15	\$ 62,352	\$ 31,176	\$ 31,176
Total Payable through General Fund					\$ 62,352	\$ 31,176	\$ 31,176
Payable through General Debt Service Fund							
Courthouse Annex	165,000	2	11-3-11	11-3-16	\$ 99,000	\$ 33,000	\$ 66,000
Total Payable through General Debt Service Fund					\$ 99,000	\$ 33,000	\$ 66,000
Total Notes Payable					\$ 161,352	\$ 64,176	\$ 97,176
<b>OTHER LOANS PAYABLE</b>							
Payable through General Debt Service Fund							
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 8,680,000	\$ 480,000	\$ 8,200,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	887,570	57,000	830,570
Total Other Loans Payable					\$ 9,567,570	\$ 537,000	\$ 9,030,570
<b>CAPITAL LEASES PAYABLE</b>							
Payable through General Fund							
Sheriff's Department Vehicles	135,581	6.1	5-3-12	7-3-15	\$ 68,360	\$ 33,168	\$ 35,192
Total Capital Leases Payable					\$ 68,360	\$ 33,168	\$ 35,192

(Continued)

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Paid and/or Matured During Period	Outstanding 6-30-15
<b><u>BONDS PAYABLE</u></b>							
<u>Payable through General Debt Service Fund</u>							
Hospital Bond (A)	\$ 6,000,000	5.6 %	12-15-03	12-15-28	\$ 3,600,000	\$ 240,000	\$ 3,360,000
Total Bonds Payable					<u>\$ 3,600,000</u>	<u>\$ 240,000</u>	<u>\$ 3,360,000</u>

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 64,176	\$ 2,377	\$ 66,553
2017	33,000	660	33,660
Total	<u>\$ 97,176</u>	<u>\$ 3,037</u>	<u>\$ 100,213</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 559,000	\$ 11,158	\$ 121,236	\$ 691,394
2017	590,000	10,473	113,723	714,196
2018	632,000	9,748	105,796	747,544
2019	658,000	8,970	97,307	764,277
2020	695,000	8,158	88,471	791,629
2021	736,000	7,300	79,139	822,439
2022	768,000	6,390	69,260	843,650
2023	800,000	5,439	58,953	864,392
2024	842,000	4,448	48,216	894,664
2025	878,000	3,404	36,918	918,322
2026	905,000	2,314	25,140	932,454
2027	947,000	1,190	12,999	961,189
2028	20,570	12	297	20,879
Total	<u>\$ 9,030,570</u>	<u>\$ 79,004</u>	<u>\$ 857,455</u>	<u>\$ 9,967,029</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2016	\$ 35,192	\$ 2,147	\$ 37,339
Total	<u>\$ 35,192</u>	<u>\$ 2,147</u>	<u>\$ 37,339</u>

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		Total
	Principal	Interest	
2016	\$ 240,000	\$ 190,773	\$ 430,773
2017	240,000	177,147	417,147
2018	240,000	163,968	403,968
2019	240,000	149,893	389,893
2020	240,000	136,267	376,267
2021	240,000	122,640	362,640
2022	240,000	109,312	349,312
2023	240,000	95,387	335,387
2024	240,000	81,760	321,760
2025	240,000	68,133	308,133
2026	240,000	54,656	294,656
2027	240,000	40,880	280,880
2028	240,000	27,253	267,253
2029	240,000	13,627	253,627
Total	\$ 3,360,000	\$ 1,431,696	\$ 4,791,696

Exhibit K-3

Hancock County, Tennessee  
Schedule of Notes and Capital Leases Receivable  
Primary Government and Discretely Presented Hancock County School Department  
June 30, 2015

<u>Description</u>	<u>Original Amount of Note/ Lease</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-15</u>
<u>PRIMARY GOVERNMENT</u>					
<u>Capital Leases Receivable</u>					
<u>General Debt Service Fund</u>					
Lease Agreement - Wellmont Health Systems	\$ 6,000,000	12-15-03	12-15-28	5.6 %	\$ 1,434,050
Total Primary Government					\$ 1,434,050
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>					
<u>General Purpose School Fund</u>					
Promissory Note - Former Teacher Tuition Reimbursement	7,669	7-1-06	N/A	0	\$ 7,669
"	3,516	3-30-07	N/A	0	3,516
Total Discretely Presented Hancock County School Department					\$ 11,185

Exhibit K-4

Hancock County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Operations	\$ 95,000
General	Solid Waste/Sanitation	Capital Outlay	71,500
Total Transfers			<u>\$ 166,500</u>

Exhibit K-5

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 72,386	\$ 100,000	Western Surety Company
Road Superintendent	Section 8-24-102, TCA	64,178	100,000	"
Director of Schools:				
Michael Antrican (7-1-14 through 12-31-14)	State Board of Education and County Board of Education	40,945 (1)	100,000	"
Tony Seal (1-1-15 through 6-30-15)	State Board of Education and County Board of Education	40,308 (2)	100,000	"
Trustee	Section 8-24-102, TCA	58,343	500,515	Auto-Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, TCA	58,343	25,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	58,343	50,000	"
Circuit and General Sessions Courts Clerk:				
Bill McMurry (7-1-14 through 8-31-14)	Section 8-24-102, TCA	9,724	25,000	Auto-Owners Mutual Insurance Company
Micah Wallen (9-1-14 through 6-30-15)	Section 8-24-102, TCA	48,619	50,000	Western Surety Company
Clerk and Master	Section 8-24-102, TCA	58,343	25,000	"
Register of Deeds	Section 8-24-102, TCA	58,343	50,000	"
Sheriff:				
Leamon Maxey (7-1-14 through 8-31-14)	Section 8-24-102, TCA, and County Commission	11,530 (3)	25,000	Auto-Owners Mutual Insurance Company
Ralph Seal (9-1-14 through 6-30-15)	Section 8-24-102, TCA, and County Commission	57,648 (4)	100,000	Western Surety Company
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Western Surety Company
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer's training supplement of \$200, secretary to the board pay of \$500, and bonus of \$731.

(2) Includes a chief executive officer's training supplement of \$1,000, secretary to the board pay of \$700, and bonus of \$1,108.

(3) Includes \$833 for serving as workhouse superintendent.

(4) Includes \$4,167 for serving as workhouse superintendent.

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	Fund
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,089,549	\$ 281,549	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,536	
Trustee's Collections - Prior Year	42,780	9,546	0	0	0	0	3,536	
Circuit/Clerk and Master Collections - Prior Years	30,050	6,442	0	0	0	0	2,360	
Interest and Penalty	6,944	1,601	0	0	0	0	537	
Payments in-Lieu-of Taxes - T.V.A.	18	4	0	0	0	0	2	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	50,804	0	0	0	0	0	0	
Wheel Tax	56,798	0	0	0	0	0	0	
Litigation Tax - General	8,329	0	0	0	0	0	0	
Litigation Tax - Special Purpose	4,474	0	0	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse	5,649	0	0	0	0	0	0	
Litigation Tax - Courthouse Security	1,018	0	0	0	0	0	0	
Business Tax	27,854	0	0	0	0	0	0	
Other County Local Option Taxes	2,266	0	0	0	0	0	0	
<u>Statutory Local Taxes</u>								
Wholesale Beer Tax	1,235	442	0	0	0	0	84	
Interstate Telecommunications Tax	531	0	0	0	0	0	0	
Total Local Taxes	\$ 1,328,299	\$ 299,584	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,055	
<u>Licenses and Permits</u>								
<u>Permits</u>								
Beer Permits	\$ 475	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Total Licenses and Permits	\$ 475	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 1,888	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,970	0	0	0	0	0	0
Drug Control Fines	2,135	0	3,013	0	0	0	0
Drug Court Fees	173	0	0	0	0	0	0
DUI Treatment Fines	475	0	0	0	0	0	0
Data Entry Fee - Circuit Court	566	0	0	0	0	0	0
<u>Criminal Court</u>							
Jail Fees	171	0	0	0	0	0	0
<u>General Sessions Court</u>							
Fines	15,218	0	0	0	0	0	0
Fines for Littering	95	0	0	0	0	0	0
Officers Costs	10,318	0	0	0	0	0	0
Game and Fish Fines	63	0	0	0	0	0	0
Drug Control Fines	4,199	0	4,611	0	0	0	0
Drug Court Fees	1,608	0	0	0	0	0	0
Jail Fees	13,919	0	0	0	0	0	0
DUI Treatment Fines	3,634	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,724	0	0	0	0	0	0
<u>Juvenile Court</u>							
Fines	76	0	0	0	0	0	0
Officers Costs	169	0	0	0	0	0	0
Data Entry Fee - Juvenile Court	69	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	353	0	0	0	0	0	0
Data Entry Fee - Chancery Court	345	0	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	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	\$ 175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 59,343	\$ 0	\$ 7,624	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 40	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	795,234	0	0	0	0	0
Work Release Charges for Board Fees	5,997	0	0	0	0	0
Copy Fees	526	0	0	0	0	0
Library Fees	5,877	0	0	0	0	0
Telephone Commissions	8,409	0	0	0	0	0
Data Processing Fee - Register	2,116	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	750	0	0	0	0	0
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	0	53	0	0
Total Charges for Current Services	\$ 818,909	\$ 40	\$ 0	\$ 53	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,782
Lease/Rentals	600	0	0	0	0	3,000
Sale of Materials and Supplies	446	0	0	0	24,242	0
Commissary Sales	81,546	0	0	0	0	0
Sale of Recycled Materials	0	3,592	0	0	0	0
Miscellaneous Refunds	26,471	0	0	0	2,985	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Sale of Property	\$ 25,190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>	121	0	0	0	0	0
Total Other Local Revenues	\$ 134,374	\$ 3,592	\$ 0	\$ 0	\$ 27,227	\$ 8,782
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 51,811	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	28,128	0	0	0	0	0
General Sessions Court Clerk	31,182	0	0	0	0	0
Clerk and Master	23,453	0	0	0	0	0
Juvenile Court Clerk	1,151	0	0	0	0	0
Register	23,421	0	0	0	0	0
Sheriff	1,739	0	0	0	0	0
Trustee	89,429	0	0	0	0	0
Total Fees Received from County Officials	\$ 250,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Solid Waste Grants	\$ 0	\$ 3,824	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety Grants						
Law Enforcement Training Programs	6,000	0	0	0	0	0
Health and Welfare Grants						
Health Department Programs	29,790	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>State of Tennessee (Cont.)</u>								
<u>Public Works Grants</u>								
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 301,747	\$ 0	\$ 0	
Litter Program	33,700	0	0	0	0	0	0	
<u>Other State Revenues</u>								
Income Tax	1,580	791	0	0	0	0	219	
Beer Tax	18,055	0	0	0	0	0	0	
Alcoholic Beverage Tax	20,585	0	0	0	0	0	0	
State Revenue Sharing - T.V.A.	269,989	0	0	0	0	0	0	
Emergency Hospital - Prisoners	76,930	0	0	0	0	0	0	
Contracted Prisoner Boarding	790,819	0	0	0	0	0	0	
Gasoline and Motor Fuel Tax	0	0	0	0	1,295,421	0	0	
Petroleum Special Tax	0	0	0	0	4,920	0	0	
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	
Other State Grants	23,449	0	0	0	0	0	0	
Other State Revenues	99,881	0	0	0	0	0	0	
Total State of Tennessee	\$ 1,385,942	\$ 4,615	\$ 0	\$ 0	\$ 1,602,088	\$ 0	\$ 219	
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Other Federal through State	58,942	0	0	0	0	0	0	
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	16,900	0	0	0	0	0	0	
Total Federal Government	\$ 75,842	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
Other Governments and Citizens Groups							
Other Governments							
Contributions	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 613,033
Other	50,110	0	0	0	0	0	357,998
Total Other Governments and Citizens Groups	\$ 100,110	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 971,031
Total	\$ 4,153,608	\$ 307,831	\$ 7,624	\$ 53	\$ 1,629,315	\$ 1,050,087	

(Continued)

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

	Capital Projects Fund	Total
	General	
	Capital	
	Projects	
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	0 \$	1,434,634
Trustee's Collections - Prior Year	0	55,862
Circuit/Clerk and Master Collections - Prior Years	0	38,852
Interest and Penalty	0	9,082
Payments in-Lieu-of Taxes - T.V.A.	0	24
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	50,804
Wheel Tax	0	56,798
Litigation Tax - General	0	8,329
Litigation Tax - Special Purpose	0	4,474
Litigation Tax - Jail, Workhouse, or Courthouse	0	5,649
Litigation Tax - Courthouse Security	0	1,018
Business Tax	0	27,854
Other County Local Option Taxes	0	2,266
<u>Statutory Local Taxes</u>		
Wholesale Beer Tax	0	1,761
Interstate Telecommunications Tax	0	531
Total Local Taxes	0 \$	1,697,938
<u>Licenses and Permits</u>		
<u>Permits</u>		
Beer Permits	0 \$	475
Total Licenses and Permits	0 \$	475

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	0 \$	1,888
Officers Costs	0	1,970
Drug Control Fines	0	5,148
Drug Court Fees	0	173
DUI Treatment Fines	0	475
Data Entry Fee - Circuit Court	0	566
<u>Criminal Court</u>		
Jail Fees	0	171
<u>General Sessions Court</u>		
Fines	0	15,218
Fines for Littering	0	95
Officers Costs	0	10,318
Game and Fish Fines	0	63
Drug Control Fines	0	8,810
Drug Court Fees	0	1,608
Jail Fees	0	13,919
DUI Treatment Fines	0	3,634
Data Entry Fee - General Sessions Court	0	1,724
<u>Juvenile Court</u>		
Fines	0	76
Officers Costs	0	169
Data Entry Fee - Juvenile Court	0	69
<u>Chancery Court</u>		
Officers Costs	0	353
Data Entry Fee - Chancery Court	0	345

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	0 \$	175
<b>Total Fines, Forfeitures, and Penalties</b>	<b>0 \$</b>	<b>66,967</b>
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Tipping Fees	0 \$	40
Patient Charges	0	795,234
Work Release Charges for Board	0	5,997
<u>Fees</u>		
Copy Fees	0	526
Library Fees	0	5,877
Telephone Commissions	0	8,409
Data Processing Fee - Register	0	2,116
Sexual Offender Registration Fee - Sheriff	0	750
<u>Other Charges for Services</u>		
Other Charges for Services	0	53
<b>Total Charges for Current Services</b>	<b>0 \$</b>	<b>819,002</b>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	0 \$	5,782
Lease/Rentals	0	3,600
Sale of Materials and Supplies	0	24,688
Commissary Sales	0	81,546
Sale of Recycled Materials	0	3,592
Miscellaneous Refunds	0	29,456

(Continued)

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

	Capital Projects Fund	Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>			
<u>Nonrecurring Items</u>			
Sale of Property	0	\$	25,190
<u>Other Local Revenues</u>			
Other Local Revenues	0		121
<b>Total Other Local Revenues</b>	<b>0</b>	<b>\$</b>	<b>173,975</b>
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0	\$	51,811
Circuit Court Clerk	0		28,128
General Sessions Court Clerk	0		31,182
Clerk and Master	0		23,453
Juvenile Court Clerk	0		1,151
Register	0		23,421
Sheriff	0		1,739
Trustee	0		89,429
<b>Total Fees Received from County Officials</b>	<b>0</b>	<b>\$</b>	<b>250,314</b>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Solid Waste Grants	0	\$	3,824
Public Safety Grants			
Law Enforcement Training Programs	0		6,000
Health and Welfare Grants			
Health Department Programs	0		29,790

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>		
<u>Public Works Grants</u>		
State Aid Program	0 \$	301,747
Litter Program	0	33,700
<u>Other State Revenues</u>		
Income Tax	0	2,590
Beer Tax	0	18,055
Alcoholic Beverage Tax	0	20,585
State Revenue Sharing - T.V.A.	0	269,989
Emergency Hospital - Prisoners	0	76,930
Contracted Prisoner Boarding	0	790,819
Gasoline and Motor Fuel Tax	0	1,295,421
Petroleum Special Tax	0	4,920
Registrar's Salary Supplement	0	15,164
Other State Grants	0	23,449
Other State Revenues	0	99,881
Total State of Tennessee	<u>0 \$</u>	<u>2,992,864</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	98,807 \$	98,807
Other Federal through State	72,013	130,955
<u>Direct Federal Revenue</u>		
Other Direct Federal Revenue	0	16,900
Total Federal Government	<u>170,820 \$</u>	<u>246,662</u>

(Continued)

Exhibit K-6

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

	Capital Projects Fund	Capital Projects	Total
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	0		663,033
Other			
Other	0		408,108
Total Other Governments and Citizens Groups	0		1,071,141
Total	\$ 170,820	\$	\$ 7,319,338

Exhibit K-7

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 581,080	\$ 0	\$ 0	\$ 0	\$ 581,080
Trustee's Collections - Prior Year	22,667	0	0	0	22,667
Circuit/Clerk and Master Collections - Prior Years	15,533	0	0	0	15,533
Interest and Penalty	3,679	0	0	0	3,679
Payments in-Lieu-of Taxes - T.V.A.	10	0	0	0	10
<u>County Local Option Taxes</u>					
Local Option Sales Tax	233,724	0	0	0	233,724
Wheel Tax	56,798	0	0	0	56,798
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	1,074	0	0	0	1,074
Interstate Telecommunications Tax	642	0	0	0	642
<b>Total Local Taxes</b>	<b>\$ 915,207</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 915,207</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 380	\$ 0	\$ 0	\$ 0	\$ 380
<b>Total Licenses and Permits</b>	<b>\$ 380</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 380</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Receipts from Individual Schools	\$ 0	\$ 0	\$ 53,599	\$ 0	\$ 53,599
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 53,599</b>	<b>\$ 0</b>	<b>\$ 53,599</b>

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria			
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 652	\$ 0	\$ 652	\$ 652
Lease/Rentals	2,045	0	0	0	2,045	2,045
E-Rate Funding	19,141	0	0	0	19,141	19,141
Miscellaneous Refunds	34,177	0	0	0	34,177	34,177
<u>Nonrecurring Items</u>						
Contributions and Gifts	131,075	0	0	0	131,075	131,075
<u>Other Local Revenues</u>	62	0	0	0	62	62
Total Other Local Revenues	\$ 186,500	\$ 0	\$ 652	\$ 0	\$ 187,152	\$ 187,152
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	\$ 34,528	\$ 0	\$ 0	\$ 0	\$ 34,528	\$ 34,528
<u>State Education Funds</u>						
Basic Education Program	6,091,481	0	0	0	6,091,481	6,091,481
Early Childhood Education	655,609	0	0	0	655,609	655,609
School Food Service	0	0	9,556	0	9,556	9,556
Other State Education Funds	204,185	0	0	0	204,185	204,185
Career Ladder Program	47,632	0	0	0	47,632	47,632
Career Ladder - Extended Contract	15,820	0	0	0	15,820	15,820
<u>Other State Revenues</u>						
Income Tax	1,320	0	0	0	1,320	1,320
Other State Revenues	52,162	0	0	0	52,162	52,162
Total State of Tennessee	\$ 7,102,737	\$ 0	\$ 9,556	\$ 0	\$ 7,112,293	\$ 7,112,293

(Continued)

Exhibit K-7

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 395,729	\$ 395,729	
USDA - Commodities Breakfast	0	0	27,126	27,126	
USDA - Other	0	0	159,200	159,200	
Vocational Education - Basic Grants to States	0	22,733	8,349	8,349	
Title I Grants to Local Education Agencies	0	595,853	0	22,733	
Special Education - Grants to States	0	238,395	0	595,853	
Special Education Preschool Grants	0	7,741	0	238,395	
Rural Education	0	20,926	0	7,741	
Eisenhower Professional Development State Grants	0	66,685	0	20,926	
Race to the Top - ARRA	0	72,323	0	66,685	
Total Federal Government	\$ 0	\$ 1,024,656	\$ 590,404	\$ 1,615,060	
Total	\$ 8,204,824	\$ 1,024,656	\$ 654,211	\$ 9,883,691	

Exhibit K-8

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

General Fund

General Government

County Commission

Bonus Payments	\$	19,800	
Other Salaries and Wages		15,818	
Board and Committee Members Fees		46,827	
Social Security		4,584	
Employee and Dependent Insurance		6,377	
Unemployment Compensation		404	
Employer Medicare		1,072	
Audit Services		2,646	
Bank Charges		207	
Contributions		9,663	
Dues and Memberships		3,317	
Legal Notices, Recording, and Court Costs		1,538	
Travel		681	
Gasoline		2,045	
Premiums on Corporate Surety Bonds		3,116	
Other Charges		1,383	
Total County Commission	\$		119,478

Board of Equalization

Board and Committee Members Fees	\$	1,500	
Total Board of Equalization			1,500

County Mayor/Executive

County Official/Administrative Officer	\$	72,386	
Clerical Personnel		21,762	
Social Security		5,810	
Pensions		5,495	
Employee and Dependent Insurance		3,120	
Unemployment Compensation		140	
Employer Medicare		1,359	
Communication		5,986	
Data Processing Services		10,504	
Dues and Memberships		475	
Maintenance and Repair Services - Office Equipment		95	
Postal Charges		8,810	
Travel		27	
Office Supplies		2,710	
Premiums on Corporate Surety Bonds		377	
Vehicle and Equipment Insurance		1,303	
Total County Mayor/Executive			140,359

County Attorney

Other Contracted Services	\$	15,240	
Total County Attorney			15,240

Election Commission

County Official/Administrative Officer	\$	52,509	
----------------------------------------	----	--------	--

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Salaries and Wages	\$	2,440	
Election Commission		7,200	
Election Workers		10,670	
Social Security		3,665	
Pensions		3,986	
Unemployment Compensation		24	
Employer Medicare		857	
Communication		2,016	
Data Processing Services		7,910	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		4,978	
Postal Charges		197	
Printing, Stationery, and Forms		417	
Rentals		1,500	
Travel		2,950	
Other Contracted Services		1,968	
Data Processing Supplies		500	
Office Supplies		499	
Total Election Commission			\$ 104,486

Register of Deeds

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		20,616	
Social Security		4,895	
Pensions		4,429	
Employee and Dependent Insurance		6,231	
Unemployment Compensation		140	
Employer Medicare		1,145	
Communication		2,360	
Data Processing Services		2,063	
Dues and Memberships		872	
Operating Lease Payments		650	
Maintenance and Repair Services - Buildings		334	
Travel		919	
Office Supplies		2,188	
Premiums on Corporate Surety Bonds		202	
Total Register of Deeds			105,387

County Buildings

Supervisor/Director	\$	7,457	
Custodial Personnel		23,277	
Other Salaries and Wages		10,747	
Social Security		2,525	
Employee and Dependent Insurance		4,308	
Unemployment Compensation		624	
Employer Medicare		591	
Communication		181	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Contributions	\$	36,900	
Maintenance and Repair Services - Buildings		20,955	
Maintenance and Repair Services - Vehicles		38	
Contracts for Development Costs		22,500	
Other Contracted Services		27,966	
Custodial Supplies		8,260	
Electricity		46,421	
Water and Sewer		9,029	
Other Supplies and Materials		937	
Total County Buildings			\$ 222,716

Finance

Purchasing

Data Processing Personnel	\$	53,489	
Social Security		3,316	
Employee and Dependent Insurance		1,560	
Unemployment Compensation		279	
Employer Medicare		776	
Office Supplies		1,720	
Total Purchasing			61,140

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		24,733	
Social Security		5,123	
Pensions		4,429	
Employee and Dependent Insurance		6,109	
Unemployment Compensation		140	
Employer Medicare		1,198	
Audit Services		1,080	
Communication		496	
Data Processing Services		4,280	
Legal Notices, Recording, and Court Costs		80	
Travel		362	
Office Supplies		283	
Other Supplies and Materials		60	
Premiums on Corporate Surety Bonds		175	
Total Property Assessor's Office			106,891

Reappraisal Program

Clerical Personnel	\$	15,120	
Social Security		937	
Employee and Dependent Insurance		6,838	
Unemployment Compensation		140	
Employer Medicare		219	
Maintenance and Repair Services - Vehicles		585	
Gasoline		444	
Vehicle and Equipment Insurance		688	
Total Reappraisal Program			24,971

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		27,638	
Social Security		5,331	
Pensions		4,429	
Employee and Dependent Insurance		6,297	
Unemployment Compensation		311	
Employer Medicare		1,247	
Communication		3,224	
Data Processing Services		8,500	
Dues and Memberships		772	
Operating Lease Payments		875	
Printing, Stationery, and Forms		6,715	
Travel		1,191	
Office Supplies		638	
Other Supplies and Materials		12	
Premiums on Corporate Surety Bonds		3,154	
Total County Trustee's Office			\$ 128,677

County Clerk's Office

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		44,581	
Social Security		6,359	
Pensions		4,429	
Employee and Dependent Insurance		3,120	
Unemployment Compensation		280	
Employer Medicare		1,487	
Communication		2,669	
Data Processing Services		7,962	
Dues and Memberships		724	
Operating Lease Payments		188	
Travel		681	
Office Supplies		1,907	
Premiums on Corporate Surety Bonds		202	
Office Equipment		1,670	
Total County Clerk's Office			134,602

Other Finance

Trustee's Commission	\$	33,965	
Total Other Finance			33,965

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		29,714	
Jury and Witness Expense		4,996	
Social Security		5,460	
Pensions		4,429	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Employee and Dependent Insurance	\$	3,892	
Unemployment Compensation		417	
Employer Medicare		1,277	
Communication		3,199	
Data Processing Services		9,750	
Dues and Memberships		512	
Operating Lease Payments		3,002	
Legal Notices, Recording, and Court Costs		12	
Travel		637	
Office Supplies		3,102	
Other Supplies and Materials		6	
Premiums on Corporate Surety Bonds		277	
Office Equipment		9,338	
Total Circuit Court	\$		138,363

General Sessions Court

Judge(s)	\$	67,647	
Social Security		4,194	
Pensions		5,135	
Employer Medicare		981	
Dues and Memberships		575	
Travel		1,065	
Total General Sessions Court			79,597

Drug Court

Other Charges	\$	1,782	
Total Drug Court			1,782

Chancery Court

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		20,836	
Jury and Witness Expense		83	
Social Security		4,909	
Pensions		4,429	
Employee and Dependent Insurance		6,231	
Unemployment Compensation		140	
Employer Medicare		1,148	
Communication		2,586	
Data Processing Services		4,350	
Dues and Memberships		892	
Operating Lease Payments		1,158	
Travel		1,041	
Office Supplies		1,833	
Premiums on Corporate Surety Bonds		100	
Office Equipment		316	
Total Chancery Court			108,395

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,178	
Deputy(ies)		235,992	
Investigator(s)		65,559	
Other Salaries and Wages		9,868	
In-service Training		10,104	
Social Security		22,849	
Pensions		5,251	
Employee and Dependent Insurance		12,749	
Unemployment Compensation		2,700	
Employer Medicare		5,344	
Dues and Memberships		1,360	
Maintenance and Repair Services - Vehicles		12,145	
Gasoline		40,938	
Law Enforcement Supplies		3,732	
Tires and Tubes		5,793	
Uniforms		5,997	
Liability Insurance		38,525	
Premiums on Corporate Surety Bonds		687	
Vehicle and Equipment Insurance		29,112	
Other Charges		525	
Total Sheriff's Department			\$ 578,408

Jail

Supervisor/Director	\$	6,845
Accountants/Bookkeepers		23,302
Dispatchers/Radio Operators		88,637
Guards		306,137
Clerical Personnel		23,304
Cafeteria Personnel		21,656
Other Salaries and Wages		4,384
Social Security		29,254
Employee and Dependent Insurance		44,314
Unemployment Compensation		4,460
Employer Medicare		6,842
Communication		19,911
Operating Lease Payments		3,112
Legal Notices, Recording, and Court Costs		160
Medical and Dental Services		102,675
Postal Charges		1,985
Travel		9,819
Other Contracted Services		19,035
Custodial Supplies		18,902
Electricity		60,077
Food Preparation Supplies		6,493
Food Supplies		187,371
Gasoline		1,190
General Construction Materials		1,249

(Continued)

## Exhibit K-8

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

General Fund (Cont.)Public Safety (Cont.)Jail (Cont.)

Library Books/Media	\$	39	
Office Supplies		5,169	
Uniforms		496	
Water and Sewer		51,289	
Other Supplies and Materials		38,504	
Specialized Medical Treatment		85,000	
Total Jail			\$ 1,171,611

Juvenile Services

Youth Service Officer(s)	\$	11,102	
Social Security		688	
Unemployment Compensation		140	
Employer Medicare		161	
Communication		1,421	
Travel		783	
Total Juvenile Services			14,295

Commissary

Office Supplies	\$	299	
Other Supplies and Materials		29,311	
Total Commissary			29,610

Civil Defense

Other Salaries and Wages	\$	6,706	
Social Security		416	
Unemployment Compensation		122	
Employer Medicare		97	
Maintenance and Repair Services - Vehicles		98	
Other Contracted Services		117	
Gasoline		60	
Other Supplies and Materials		1,299	
Vehicle and Equipment Insurance		18,538	
Total Civil Defense			27,453

Rescue Squad

Contributions	\$	1,361	
Total Rescue Squad			1,361

County Coroner/Medical Examiner

Other Contracted Services	\$	30,764	
Premiums on Corporate Surety Bonds		100	
Total County Coroner/Medical Examiner			30,864

Other Public Safety

Road Signs	\$	1,265	
Total Other Public Safety			1,265

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	9,740	
Social Security		591	
Unemployment Compensation		142	
Employer Medicare		138	
Communication		3,493	
Maintenance Agreements		1,040	
Maintenance and Repair Services - Buildings		8,699	
Maintenance and Repair Services - Equipment		580	
Pest Control		342	
Postal Charges		1,528	
Travel		6	
Custodial Supplies		2,972	
Drugs and Medical Supplies		402	
Electricity		15,630	
Office Supplies		2,002	
Water and Sewer		2,141	
Other Supplies and Materials		873	
Building and Contents Insurance		1,930	
Other Charges		1,878	
Other Equipment		5,084	
Total Local Health Center			\$ 59,211

Ambulance/Emergency Medical Services

Supervisor/Director	\$	38,133
Medical Personnel		368,966
Part-time Personnel		74,903
Overtime Pay		128
Board and Committee Members Fees		700
In-service Training		270
Social Security		30,479
Employee and Dependent Insurance		37,649
Unemployment Compensation		2,706
Employer Medicare		7,128
Communication		4,279
Data Processing Services		56,038
Dues and Memberships		3,040
Operating Lease Payments		1,534
Legal Notices, Recording, and Court Costs		80
Licenses		2,150
Maintenance and Repair Services - Buildings		1,742
Maintenance and Repair Services - Vehicles		48,885
Medical and Dental Services		1,055
Travel		1,032
Disposal Fees		213
Other Contracted Services		631
Custodial Supplies		2,815
Diesel Fuel		28,970

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Drugs and Medical Supplies	\$	18,497	
Electricity		5,618	
Office Supplies		510	
Propane Gas		2,981	
Tires and Tubes		4,020	
Uniforms		1,680	
Water and Sewer		1,522	
Other Supplies and Materials		890	
Vehicle and Equipment Insurance		30,121	
Other Charges		711	
Communication Equipment		2,630	
Motor Vehicles		59,958	
Other Equipment		1,450	
Total Ambulance/Emergency Medical Services	\$		844,114

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Other Salaries and Wages	\$	17,215	
Social Security		1,046	
Unemployment Compensation		217	
Employer Medicare		245	
Travel		699	
Total Other Local Health Services			19,422

Sanitation Management

Guards	\$	21,143	
Clerical Personnel		2,538	
Social Security		1,426	
Unemployment Compensation		108	
Employer Medicare		334	
Maintenance and Repair Services - Vehicles		529	
Gasoline		1,209	
Other Supplies and Materials		4,983	
Total Sanitation Management			32,270

Other Public Health and Welfare

Travel	\$	36	
Other Contracted Services		2,311	
Other Supplies and Materials		28,923	
Other Charges		44	
Total Other Public Health and Welfare			31,314

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 7,806	
Total Senior Citizens Assistance		\$ 7,806

Libraries

Assistant(s)	\$ 16,335	
Librarians	21,185	
Part-time Personnel	92	
Social Security	2,288	
Employee and Dependent Insurance	3,120	
Unemployment Compensation	280	
Employer Medicare	535	
Communication	2,890	
Dues and Memberships	75	
Travel	128	
Custodial Supplies	280	
Electricity	3,056	
Library Books/Media	5,113	
Office Supplies	3,122	
Periodicals	387	
Water and Sewer	821	
Other Charges	870	
Office Equipment	1,137	
Total Libraries		61,714

Other Social, Cultural, and Recreational

Rentals	\$ 2,086	
Other Contracted Services	5,079	
Total Other Social, Cultural, and Recreational		7,165

Agriculture and Natural Resources

Agricultural Extension Service

Communication	\$ 2,971	
Dues and Memberships	210	
Rentals	6,000	
Other Contracted Services	17,550	
Custodial Supplies	423	
Electricity	1,048	
Office Supplies	75	
Water and Sewer	963	
Total Agricultural Extension Service		29,240

Soil Conservation

Communication	\$ 1,410	
Contributions	13,440	
Rentals	3,840	
Electricity	432	
Total Soil Conservation		19,122

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations

Veterans' Services

Other Salaries and Wages	\$	6,267	
Social Security		389	
Unemployment Compensation		125	
Employer Medicare		91	
Communication		1,225	
Travel		794	
Total Veterans' Services			\$ 8,891

Principal on Debt

General Government

Principal on Notes	\$	31,176	
Principal on Capital Leases		33,168	
Total General Government			64,344

Interest on Debt

General Government

Interest on Notes	\$	2,202	
Interest on Capital Leases		4,170	
Total General Government			6,372

Total General Fund \$ 4,573,816

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	20,024	
Truck Drivers		41,548	
Other Salaries and Wages		54,980	
Social Security		7,113	
Employee and Dependent Insurance		8,598	
Unemployment Compensation		1,085	
Employer Medicare		1,663	
Communication		1,013	
Contracts with Private Agencies		105,513	
Maintenance and Repair Services - Equipment		11,614	
Other Contracted Services		7,478	
Crushed Stone		4,036	
Diesel Fuel		26,529	
Electricity		1,849	
Tires and Tubes		3,950	
Vehicle Parts		966	
Other Supplies and Materials		308	
Trustee's Commission		6,961	
Vehicle and Equipment Insurance		6,263	
Other Charges		1,308	
Motor Vehicles		55,000	
Solid Waste Equipment		16,500	
Total Sanitation Management			\$ 384,299

Total Solid Waste/Sanitation Fund 384,299

(Continued)

Exhibit K-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,800	
Trustee's Commission		72	
Other Charges		36	
Total Drug Enforcement			\$ 2,908

Total Drug Control Fund \$ 2,908

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	53	
Total Circuit Court			\$ 53

Total Constitutional Officers - Fees Fund 53

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,178	
Accountants/Bookkeepers		28,000	
Laborers		304,474	
Overtime Pay		23,264	
Data Processing Services		5,807	
Office Supplies		958	
Utilities		16,644	
Total Administration			\$ 443,325

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	130,846	
Asphalt - Hot Mix		632,601	
Crushed Stone		120,519	
Pipe - Metal		1,730	
Other Supplies and Materials		22,064	
Total Highway and Bridge Maintenance			907,760

Operation and Maintenance of Equipment

Diesel Fuel	\$	52,849	
Equipment and Machinery Parts		17,686	
Gasoline		24,124	
Lubricants		3,911	
Tires and Tubes		6,575	
Total Operation and Maintenance of Equipment			105,145

Other Charges

Dues and Memberships	\$	1,952	
Trustee's Commission		13,003	
Vehicle and Equipment Insurance		52,461	
Other Charges		4,590	
Total Other Charges			72,006

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	26,071	
Pensions		4,909	
Life Insurance		12,283	
Medical Insurance		36,001	
Unemployment Compensation		2,780	
Employer Medicare		6,097	
Other Fringe Benefits		8,336	
Workers' Compensation Insurance		24,525	
Total Employee Benefits			\$ 121,002

Capital Outlay

Operating Lease Payments	\$	1,671	
State Aid Projects		301,747	
Total Capital Outlay			303,418

Total Highway/Public Works Fund \$ 1,952,656

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	240,000	
Principal on Notes		33,000	
Principal on Other Loans		30,039	
Total General Government			\$ 303,039

Education

Principal on Other Loans	\$	506,961	
Total Education			506,961

Interest on Debt

General Government

Interest on Bonds	\$	201,682	
Interest on Notes		1,980	
Interest on Other Loans		973	
Total General Government			204,635

Education

Interest on Other Loans	\$	20,876	
Total Education			20,876

Other Debt Service

General Government

Trustee's Commission	\$	1,409	
Other Debt Service		6,569	
Total General Government			7,978

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service (Cont.)</u>			
<u>Education</u>			
Other Debt Service	\$	118,926	
Total Education			\$ 118,926
Total General Debt Service Fund			\$ 1,162,415
<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Utility Projects</u>			
Other Construction	\$	170,820	
Total Public Utility Projects			\$ 170,820
Total General Capital Projects Fund			170,820
Total Governmental Funds - Primary Government			\$ 8,246,967

## Exhibit K-9

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

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$	2,401,580	
Career Ladder Program		23,900	
Career Ladder Extended Contracts		13,558	
Bonus Payments		116,262	
Certified Substitute Teachers		1,370	
Non-certified Substitute Teachers		41,403	
Social Security		152,360	
Pensions		226,952	
Medical Insurance		121,009	
Unemployment Compensation		4,317	
Employer Medicare		35,633	
Instructional Supplies and Materials		6,195	
Textbooks		74,149	
Total Regular Instruction Program			\$ 3,218,688

Alternative Instruction Program

Teachers	\$	45,025	
Career Ladder Program		1,000	
Social Security		2,640	
Pensions		4,161	
Medical Insurance		3,748	
Unemployment Compensation		95	
Employer Medicare		617	
Total Alternative Instruction Program			57,286

Special Education Program

Teachers	\$	391,556	
Career Ladder Program		5,000	
Educational Assistants		85,338	
Non-certified Substitute Teachers		5,583	
Social Security		28,634	
Pensions		35,255	
Medical Insurance		32,264	
Unemployment Compensation		1,710	
Employer Medicare		6,697	
Other Contracted Services		20,860	
Instructional Supplies and Materials		16,658	
Total Special Education Program			629,555

Vocational Education Program

Teachers	\$	207,455	
Career Ladder Program		3,000	
Educational Assistants		5,096	
Non-certified Substitute Teachers		2,487	
Social Security		11,911	
Pensions		18,834	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Medical Insurance	\$	19,313	
Unemployment Compensation		570	
Employer Medicare		2,786	
Total Vocational Education Program			\$ 271,452

Support Services

Attendance

Supervisor/Director	\$	50,189	
Other Salaries and Wages		50,511	
Social Security		6,114	
Pensions		4,537	
Medical Insurance		2,183	
Unemployment Compensation		285	
Employer Medicare		1,430	
Travel		5,065	
Total Attendance			120,314

Health Services

Other Salaries and Wages	\$	72,784	
Social Security		4,052	
Pensions		5,183	
Medical Insurance		5,109	
Unemployment Compensation		190	
Employer Medicare		948	
Travel		1,342	
Other Supplies and Materials		5,610	
Other Charges		4,860	
Total Health Services			100,078

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		89,826	
School Resource Officer		43,743	
Other Salaries and Wages		84,686	
Social Security		13,084	
Pensions		8,301	
Medical Insurance		12,987	
Unemployment Compensation		1,140	
Employer Medicare		3,053	
Travel		1,006	
Total Other Student Support			259,826

Regular Instruction Program

Supervisor/Director	\$	28,641	
Librarians		87,410	
Instructional Computer Personnel		54,844	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries and Wages	\$	1,612	
Social Security		10,654	
Pensions		10,708	
Medical Insurance		4,677	
Unemployment Compensation		380	
Employer Medicare		2,492	
Maintenance and Repair Services - Equipment		61,551	
Travel		2,305	
Other Contracted Services		33,438	
Other Supplies and Materials		6,412	
In Service/Staff Development		3,530	
Other Charges		16,729	
Other Equipment		60,085	
Total Regular Instruction Program	\$		385,468

Special Education Program

Travel	\$	8,082	
Other Contracted Services		35,331	
Total Special Education Program			43,413

Vocational Education Program

Supervisor/Director	\$	56,624	
Career Ladder Program		500	
Social Security		3,331	
Pensions		5,131	
Medical Insurance		3,009	
Unemployment Compensation		95	
Employer Medicare		779	
Travel		176	
Total Vocational Education Program			69,645

Other Programs

On-behalf Payments to OPEB	\$	34,528	
Total Other Programs			34,528

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		7,700	
Social Security		476	
Medical Insurance		33	
Employer Medicare		129	
Audit Services		6,400	
Dues and Memberships		8,255	
Travel		7,015	
Liability Insurance		69,483	
Premiums on Corporate Surety Bonds		350	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Trustee's Commission	\$	30,379	
Workers' Compensation Insurance		36,847	
Other Charges		7,005	
Total Board of Education			\$ 175,272

Director of Schools

County Official/Administrative Officer	\$	77,014	
Career Ladder Program		1,200	
Career Ladder Extended Contracts		1,100	
Social Security		4,685	
Pensions		6,901	
Medical Insurance		3,710	
Unemployment Compensation		95	
Employer Medicare		1,096	
Other Fringe Benefits		923	
Communication		12,956	
Postal Charges		498	
Travel		3,339	
Total Director of Schools			113,517

Office of the Principal

Principals	\$	128,496	
Career Ladder Program		2,000	
Assistant Principals		43,278	
Secretary(ies)		42,598	
Social Security		12,518	
Pensions		15,513	
Medical Insurance		11,095	
Unemployment Compensation		665	
Employer Medicare		2,928	
Travel		55	
Total Office of the Principal			259,146

Fiscal Services

Accountants/Bookkeepers	\$	67,546	
Social Security		3,644	
Medical Insurance		7,782	
Unemployment Compensation		190	
Employer Medicare		852	
Travel		1,015	
Other Contracted Services		9,032	
Other Supplies and Materials		2,771	
Total Fiscal Services			92,832

Operation of Plant

Custodial Personnel	\$	144,266	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Salaries and Wages	\$	24,000	
Social Security		10,335	
Medical Insurance		9,437	
Unemployment Compensation		855	
Employer Medicare		2,417	
Maintenance and Repair Services - Equipment		11,902	
Disposal Fees		3,110	
Other Contracted Services		5,528	
Custodial Supplies		11,120	
Electricity		319,360	
Natural Gas		23,097	
Water and Sewer		27,921	
Total Operation of Plant			\$ 593,348

Maintenance of Plant

Supervisor/Director	\$	15,234	
Social Security		1,000	
Medical Insurance		2,492	
Unemployment Compensation		95	
Employer Medicare		234	
Maintenance and Repair Services - Buildings		19,561	
Maintenance and Repair Services - Equipment		28,918	
Total Maintenance of Plant			67,534

Transportation

Supervisor/Director	\$	26,100	
Mechanic(s)		14,992	
Bus Drivers		195,584	
Other Salaries and Wages		5,764	
Social Security		13,803	
Medical Insurance		9,226	
Unemployment Compensation		1,995	
Employer Medicare		3,464	
Maintenance and Repair Services - Vehicles		56,921	
Diesel Fuel		58,060	
Gasoline		43,121	
Tires and Tubes		12,775	
Other Charges		4,762	
Transportation Equipment		35,750	
Total Transportation			482,317

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	25,250	
Other Salaries and Wages		46,453	
Social Security		4,405	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Pensions	\$	2,283	
Medical Insurance		2,492	
Unemployment Compensation		431	
Employer Medicare		1,030	
Other Supplies and Materials		52	
Total Community Services			\$ 82,396

Early Childhood Education

Supervisor/Director	\$	53,112	
Teachers		280,634	
Educational Assistants		152,005	
Other Salaries and Wages		40,744	
Social Security		31,615	
Pensions		30,173	
Medical Insurance		24,014	
Unemployment Compensation		2,090	
Employer Medicare		7,394	
Travel		559	
Other Supplies and Materials		30,414	
In Service/Staff Development		2,856	
Total Early Childhood Education			655,610

Capital Outlay

<u>Regular Capital Outlay</u>			
Other Capital Outlay	\$	59,439	
Total Regular Capital Outlay			59,439

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	613,033	
Total Education			613,033

Total General Purpose School Fund \$ 8,384,697

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	63,526	
Educational Assistants		31,833	
Other Salaries and Wages		224,383	
Non-certified Substitute Teachers		10,175	
Social Security		19,494	
Pensions		25,795	
Medical Insurance		14,025	
Unemployment Compensation		950	
Employer Medicare		4,559	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	18,850	
Regular Instruction Equipment		70,494	
Total Regular Instruction Program			\$ 484,084

Special Education Program

Educational Assistants	\$	128,275	
Social Security		7,149	
Medical Insurance		2,619	
Unemployment Compensation		1,905	
Employer Medicare		1,817	
Other Contracted Services		38,500	
Instructional Supplies and Materials		2,982	
Other Supplies and Materials		7,178	
Special Education Equipment		10,336	
Total Special Education Program			200,761

Vocational Education Program

Maintenance and Repair Services - Equipment	\$	156	
Other Contracted Services		700	
Instructional Supplies and Materials		990	
Vocational Instruction Equipment		18,555	
Total Vocational Education Program			20,401

Support Services

Other Student Support

Maintenance and Repair Services - Equipment	\$	1,715	
Travel		8,289	
Other Contracted Services		23,542	
In Service/Staff Development		2,849	
Other Charges		14,803	
Total Other Student Support			51,198

Regular Instruction Program

Supervisor/Director	\$	28,641	
Secretary(ies)		12,759	
Other Salaries and Wages		125,860	
Social Security		9,988	
Pensions		13,970	
Medical Insurance		5,392	
Unemployment Compensation		475	
Employer Medicare		2,336	
Travel		4,000	
Library Books/Media		3,500	
Periodicals		895	
In Service/Staff Development		23,984	
Other Equipment		9,452	
Total Regular Instruction Program			241,252

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Other Contracted Services	\$ 14,000	
Total Special Education Program		\$ 14,000

Vocational Education Program

Travel	\$ 1,020	
In Service/Staff Development	100	
Total Vocational Education Program		1,120

Transportation

Bus Drivers	\$ 12,325	
Social Security	764	
Medical Insurance	831	
Unemployment Compensation	95	
Employer Medicare	179	
Total Transportation		<u>14,194</u>

Total School Federal Projects Fund		\$ 1,027,010
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 50,358	
Cafeteria Personnel	162,201	
Social Security	13,110	
Pensions	4,553	
Unemployment Compensation	2,100	
Employer Medicare	3,066	
Maintenance and Repair Services - Equipment	13,400	
Travel	235	
Other Contracted Services	6,030	
Food Supplies	416,908	
USDA - Commodities	27,126	
Other Supplies and Materials	3,706	
Refunds	86	
In Service/Staff Development	1,102	
Total Food Service		<u>\$ 703,981</u>

Total Central Cafeteria Fund		<u>703,981</u>
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Total Governmental Funds - Hancock County School Department		<u>\$ 10,115,688</u>
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Exhibit K-10

Hancock County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 179,222
Total Cash Receipts	<u>\$ 179,222</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 177,569
Trustee's Commission	<u>1,653</u>
Total Cash Disbursements	<u>\$ 179,222</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
 Cash Balance, June 30, 2015	<u><u>\$ 0</u></u>

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# SINGLE AUDIT SECTION

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

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

Independent Auditor's Report

Hancock County Mayor and  
Board of County Commissioners  
Hancock 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 Hancock County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hancock County's basic financial statements, and have issued our report thereon dated September 14, 2015.

**Internal Control Over Financial Reporting**

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

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

a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-001 and 2015-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hancock 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item: 2015-002.

### **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 Hancock County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 14, 2015

JPW/kp



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

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Hancock County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hancock County's major federal programs for the year ended June 30, 2015. Hancock 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 Hancock 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 Hancock 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 legal a determination of Hancock County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Hancock County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Hancock 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 Hancock 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 Hancock 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.

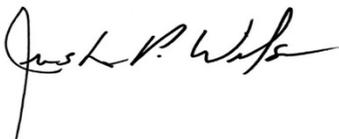
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 Hancock County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hancock County's basic financial statements. We issued our report thereon dated September 14, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 14, 2015

JPW/kp

Hancock County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2015

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Rural Community Development Initiative	10.446	N/A	\$ 16,900
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	159,200
National School Lunch Program	10.555	N/A	404,078 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	27,126 (3)
Total U.S. Department of Agriculture			<u>\$ 607,304</u>
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	Z-02-009169-00	\$ 98,807
Total U.S. Department of Housing and Urban Development			<u>\$ 98,807</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Rural Areas	20.509	Z-14-RT0005B	\$ 58,536
Total U.S. Department of Transportation			<u>\$ 58,536</u>
Institute of Museum and Library Services			
Passed-through Tennessee State Library and Archives:			
Grants to States	45.310	(2)	\$ 406
Total Institute of Museum and Library Services			<u>\$ 406</u>
U.S. Environmental Protection Agency:			
Direct Program:			
Congressionally Mandated Projects	66.202	XP-95492112-0	\$ 72,013
Total U.S. Environmental Protection Agency			<u>\$ 72,013</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 596,968
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	239,684
Special Education - Preschool Grants	84.173	N/A	7,741
Career and Technical Education - Basic Grants to States	84.048	N/A	23,001
Rural Education	84.358	N/A	20,926
Improving Teacher Quality State Grants	84.367	N/A	66,685
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	72,005
Total U.S. Department of Education			<u>\$ 1,027,010</u>
Total Expenditures of Federal Awards			<u>\$ 1,864,076</u>

(Continued)

Hancock County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (Cont.) (1)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 33,700
State Library Program - Tennessee State Library and Archives	N/A	(2)	161
Families Resource Center Grant - State Department of Education	N/A	(2)	29,612
Safe Schools Act Grant - State Department of Education	N/A	(2)	7,140
Coordinated School Health - State Department of Education	N/A	(2)	85,000
Connect TN - State Department of Education	N/A	(2)	2,826
ACT/Explore - State Department of Education	N/A	(2)	1,380
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	<u>655,609</u>
Total State Grants			<u>\$ 815,428</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$431,204.

SUBRECIPIENTS

Program Title	Federal CFDA Number	Amount Provided to Subrecipient	Subrecipient
Community Development Block Grants/States Program	14.228	\$ 98,807	Sneedville Utility District
Congressionally Mandated Projects	66.202	72,013	Sneedville Utility District

Hancock County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2015

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001	153	Some purchase orders were issued after the purchases were made

**OFFICES OF COUNTY CLERK, CLERK AND MASTER, REGISTER OF DEEDS,  
SHERIFF, AND HOME HEALTH**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-004	154	Duties were not segregated adequately

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**HANCOCK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2015**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Hancock County is unmodified.
2. The audit of the financial statements of Hancock 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 are material to the financial statements of Hancock County.
4. The audit disclosed no material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hancock 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; however, management did not provide responses for inclusion in this report.

### OFFICE OF COUNTY MAYOR

#### FINDING 2015-001

#### **SOME PURCHASE ORDERS WERE ISSUED AFTER THE PURCHASES WERE MADE**

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

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 34 disbursements totaling \$169,455 from a population of approximately 4,884 vendor checks totaling \$5,919,220. Our sample revealed that in nine of 28 applicable instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. This deficiency is the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made.

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#### FINDING 2015-002

#### **EXPENDITURES EXCEEDED APPROPRIATIONS**

(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in the budget operations of the office:

- A. Total expenditures of the Solid Waste/Sanitation and Drug Control funds exceeded total appropriations approved by the County Commission by \$8,817 and \$853, respectively.
- B. Expenditures exceeded appropriations approved by the County Commission in the Election Commission and the Other Social, Cultural, and Recreational major appropriation categories (the legal level of control) of the General Fund by \$759 and \$3,983, respectively.

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be

appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures. Such disregard for the budget process, if unchecked, could lead to more serious budget issues.

**RECOMMENDATION**

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

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**OFFICES OF COUNTY CLERK, CLERK AND MASTER, REGISTER OF DEEDS, SHERIFF, AND HOME HEALTH**

**FINDING 2015-003**

**DUTIES WERE NOT SEGREGATED ADEQUATELY**

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

Duties were not segregated adequately among officials and employees in the Offices of County Clerk, Clerk and Master, Register of Deeds, Sheriff, and Home Health. 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 give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management’s decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

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

There were no findings and questioned costs for federal programs.

## **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 Hancock County.

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

Hancock County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Hancock County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

**HANCOCK COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2015**

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