



**ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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GREG BRUSH
State Auditors

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

HANCOCK COUNTY, TENNESSEE

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Audit Highlights

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

Scope

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

Results

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

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

Findings and Best Practice

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

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in purchasing procedures.
- ◆ Payments made to a county employee at the Emergency Management Service were not made through the county's payroll system.
- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.

OFFICE OF TRUSTEE

- ◆ The property tax report did not reconcile with the general ledger.

OFFICE OF SHERIFF

- ◆ Deficiencies were noted in the commissary operations.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ Mobile home schedules were not mailed to the land owner where the mobile home was located.
-

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

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Hancock County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hancock County.

INTRODUCTORY SECTION

Hancock County Officials

June 30, 2013

Officials

Thomas Harrison, County Mayor
Clem Seal, Road Superintendent
Michael Antrican, Director of Schools
Chuck Johnson, Trustee
William Seal, Assessor of Property
Jessie Royston, County Clerk
Bill McMurry, Circuit and General Sessions Courts Clerk
Judy Trent, Clerk and Master
Janie Lamb, Register of Deeds
Leamon Maxey, Sheriff

Board of County Commissioners

Dean Rhea, Chairman	Kenny Lamb
Wayne Bailey	Sonny Lawson
Tommy Belcher, Jr.	Claude Lemarr
Johnny Bunch	Junior Martin
Doug Garland	John McNeil
Carlin Greene	Phillip Nichols
Ed Gulliver	Gary Seal
Bobby Johnson	

Board of Education

Freddie Mullins, Chairman	Hugh Livesay
Norman Greene	Carl Reed
Dennis Holt	Jeff Stapleton
David Jones	

Audit Committee (appointed subsequent to 6-30-13)

Scott Collins	Brenda Maxey
Carlin Greene	Joe McDaniel
Ed Gulliver	Sherry Ramsey

FINANCIAL SECTION



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

Independent Auditor's Report

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

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

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plans on pages 73-75 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.

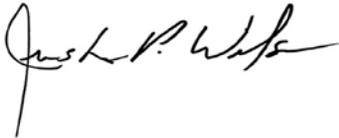
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock County School Department (a discretely presented component unit), and miscellaneous 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, 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 16, 2013, 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 16, 2013

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Hancock County School Department	
	\$	\$	\$	\$	\$
Cash and Cash Equivalents	1,501	0	1,501	30,569	
Equity in Pooled Cash and Investments	3,942,131	1,299,397	5,241,528	2,828,066	
Accounts Receivable	431,662	267,016	698,678	12,260	
Allowance for Uncollectibles	(287,618)	(57,614)	(345,232)	0	
Due from Other Governments	524,585	0	524,585	106,462	
Due from Primary Government	0	0	0	3,002	
Property Taxes Receivable	1,670,903	0	1,670,903	676,821	
Allowance for Uncollectible Property Taxes	(139,750)	0	(139,750)	(56,608)	
Notes Receivable - Long-term	0	0	0	11,365	
Capital Lease Receivable	4,367,261	0	4,367,261	0	
Assets Not Depreciated:					
Land	412,474	26,350	438,824	453,150	
Construction in Progress	0	0	0	35,724	
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,749,062	311,236	2,060,298	10,463,184	
Machinery and Equipment	359,696	0	359,696	631,434	
Infrastructure	13,852,006	0	13,852,006	0	
Total Assets	\$ 26,883,913	\$ 1,846,385	\$ 28,730,298	\$ 15,195,429	

(Continued)

Exhibit A

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

	Primary Government		Total	Component Unit Hancock County School Department
	Governmental Activities	Business-type Activities		
Accounts Payable	\$ 130,549	\$ 3,914	\$ 134,463	\$ 53,027
Accrued Payroll	14,580	0	14,580	0
Accrued Interest Payable	126,282	0	126,282	0
Payroll Deductions Payable	16,837	3,259	20,096	0
Due to Component Unit	3,002	0	3,002	0
Contracts Payable	25,125	0	25,125	0
Retainage Payable	35,320	0	35,320	0
Due to the State of Tennessee	3,215	0	3,215	0
Other Current Liabilities	3,864	0	3,864	113,229
Noncurrent Liabilities:				
Due Within One Year	958,818	3,509	962,327	0
Due in More Than One Year	13,593,088	14,036	13,607,124	330,774
Total Liabilities	\$ 14,910,680	\$ 24,718	\$ 14,935,398	\$ 497,030

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 1,484,518	\$ 0	\$ 1,484,518	\$ 601,323
Total Deferred Inflow of Resources	\$ 1,484,518	\$ 0	\$ 1,484,518	\$ 601,323

(Continued)

Exhibit A

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

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
	\$ 15,951,307	\$ 337,586	\$ 16,288,893	\$ 11,583,492
	17,312	0	17,312	0
	17,799	0	17,799	0
	13,735	0	13,735	0
	66,375	0	66,375	0
	951,701	0	951,701	0
	1,593,964	0	1,593,964	0
	199,199	0	199,199	0
	0	0	0	301,898
	(8,322,677)	1,484,081	(6,838,596)	2,211,686
	\$ 10,488,715	\$ 1,821,667	\$ 12,310,382	\$ 14,097,076

NET POSITION

Net Investment in Capital Assets
Restricted for:

- General Government
- Administration of Justice
- Public Safety
- Public Health and Welfare
- Highways
- Debt Service
- Capital Projects
- Education
- Unrestricted

Total 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, 2013

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		
Primary Government:											
Governmental Activities:											
General Government	\$ 1,896,155	\$ 47,083	\$ 1,351,779	\$ 11,917	\$ (485,376)	\$ 0	\$ (485,376)	\$ 0			
Finance	473,138	137,200	0	0	(335,938)	0	(335,938)	0			
Administration of Justice	312,946	182,537	9,000	0	(121,409)	0	(121,409)	0			
Public Safety	2,096,754	916,260	254,496	0	(925,998)	0	(925,998)	0			
Public Health and Welfare	1,303,491	811,866	120,937	0	(370,688)	0	(370,688)	0			
Social, Cultural, and Recreational Services	72,981	0	0	0	(72,981)	0	(72,981)	0			
Agriculture and Natural Resources	52,197	0	0	0	(52,197)	0	(52,197)	0			
Other Operations	367,924	205,517	170,499	0	8,092	0	8,092	0			
Highways	1,995,710	50,879	1,250,581	506,000	(188,250)	0	(188,250)	0			
Interest on Long-term Debt	290,153	0	0	0	(290,153)	0	(290,153)	0			
Debt Service	106,589	0	0	0	(106,589)	0	(106,589)	0			
Total Governmental Activities	\$ 8,968,038	\$ 2,351,342	\$ 3,157,292	\$ 517,917	\$ (2,941,487)	\$ 0	\$ (2,941,487)	\$ 0			
Business-type Activities:											
Home Health	\$ 2,131,837	\$ 2,526,919	\$ 0	\$ 0	\$ 0	\$ 395,082	\$ 395,082	\$ 0			
Total Business-type Activities	\$ 2,131,837	\$ 2,526,919	\$ 0	\$ 0	\$ 0	\$ 395,082	\$ 395,082	\$ 0			
Total Primary Government	\$ 11,099,875	\$ 4,878,261	\$ 3,157,292	\$ 517,917	\$ (2,941,487)	\$ 395,082	\$ (2,546,405)	\$ 0			
Component Unit:											
Hancock County School Department	\$ 10,710,487	\$ 100,438	\$ 2,044,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,565,856)			
Total Component Unit	\$ 10,710,487	\$ 100,438	\$ 2,044,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,565,856)			

(Continued)

Exhibit B

Hancock County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit Hancock County School Department
	Program Revenues			Primary Government		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,454,416	\$ 0	\$ 1,454,416
Property Taxes Levied for Debt Service					88,667	0	88,667
Local Option Sales Taxes					44,371	0	44,371
Wheel Tax					61,392	0	61,392
Litigation Tax - General					10,029	0	10,029
Litigation Tax - Special Purpose					5,362	0	5,362
Litigation Tax - Jail, Workhouse, or Courthouse					6,549	0	6,549
Litigation Tax - Courtroom Security					1,018	0	1,018
Business Tax					16,964	0	16,964
Wholesale Beer Tax					4,748	0	4,748
Interstate Telecommunications Tax					442	0	442
Grants and Contributions Not Restricted to Specific Programs					1,237,182	0	1,237,182
Unrestricted Investment Income					19,615	0	19,615
Miscellaneous					64,775	2,765	67,540
Total General Revenues					\$ 3,015,530	\$ 2,765	\$ 3,018,295
Change in Net Position					\$ 74,043	\$ 397,847	\$ 471,890
Net Position, July 1, 2012					10,443,172	1,423,820	11,866,992
Prior-period Adjustment - Accounting Change - See Note V.B.					(28,500)	0	(28,500)
Net Position, June 30, 2013					\$ 10,488,715	\$ 1,821,667	\$ 12,310,382

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

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,501	\$ 1,501
Equity in Pooled Cash and Investments	1,219,783	752,013	1,685,931	31,562	252,842	3,942,131	3,942,131
Accounts Receivable	396,289	3,852	31,432	0	89	431,662	431,662
Allowance for Uncollectibles	(287,618)	0	0	0	0	(287,618)	(287,618)
Due from Other Governments	301,944	206,538	227	15,000	876	524,585	524,585
Due from Other Funds	1,501	0	0	0	0	1,501	1,501
Property Taxes Receivable	1,281,827	0	105,016	0	284,060	1,670,903	1,670,903
Allowance for Uncollectible Property Taxes	(108,349)	0	(8,403)	0	(22,998)	(139,750)	(139,750)
Other Current Assets	0	0	4,367,261	0	0	4,367,261	4,367,261
Total Assets	\$ 2,805,377	\$ 962,403	\$ 6,181,464	\$ 46,562	\$ 516,370	\$ 10,512,176	\$ 10,512,176

LIABILITIES

Accounts Payable	\$ 73,328	\$ 0	\$ 0	\$ 47,861	\$ 9,360	\$ 130,549	\$ 130,549
Accrued Payroll	14,580	0	0	0	0	14,580	14,580
Payroll Deductions Payable	12,050	0	0	0	4,787	16,837	16,837
Contracts Payable	0	0	0	25,125	0	25,125	25,125
Retainage Payable	0	0	0	35,320	0	35,320	35,320
Due to Other Funds	0	0	0	0	1,501	1,501	1,501
Due to Component Units	3,002	0	0	0	0	3,002	3,002
Due to State of Tennessee	3,215	0	0	0	0	3,215	3,215
Other Current Liabilities	0	3,864	0	0	0	3,864	3,864
Total Liabilities	\$ 106,175	\$ 3,864	\$ 0	\$ 108,306	\$ 15,648	\$ 233,993	\$ 233,993

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 1,136,878	\$ 0	\$ 93,957	\$ 0	\$ 253,683	\$ 1,484,518	\$ 1,484,518
Deferred Delinquent Property Taxes	35,204	0	2,555	0	7,097	44,856	44,856
Other Deferred/Unavailable Revenue	134,219	103,269	4,367,337	0	292	4,605,117	4,605,117
Total Deferred Inflows of Resources	\$ 1,306,301	\$ 103,269	\$ 4,463,849	\$ 0	\$ 261,072	\$ 6,134,491	\$ 6,134,491

FUND BALANCES

Restricted:	\$ 17,312	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,312	\$ 17,312
Restricted for General Government	17,799	0	0	0	0	17,799	17,799
Restricted for Administration of Justice	32,270	0	0	0	13,735	46,005	46,005
Restricted for Public Safety	0	0	0	0	26,716	26,716	26,716
Restricted for Public Health and Welfare	0	0	0	0	0	0	0

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
\$	0	855,270	0	0	0	0	855,270
	0	0	1,717,615	0	0	0	1,717,615
	0	0	0	0	0	199,199	199,199
	39,344	0	0	0	0	0	39,344
	1,286,176	0	0	(61,744)	0	0	1,224,432
\$	1,392,901	855,270	1,717,615	(61,744)	239,650	0	4,143,692
\$	2,805,377	962,403	6,181,464	46,562	516,370	0	10,512,176

FUND BALANCES (Cont.)

Restricted (Cont.):
 Restricted for Highways/Public Works
 Restricted for Debt Service
 Restricted for Capital Projects
 Assigned:
 Assigned for Other Purposes
 Unassigned
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,143,692
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	412,474	
Add: buildings and improvements net of accumulated depreciation		1,749,062	
Add: machinery and equipment net of accumulated depreciation		359,696	
Add: infrastructure net of accumulated depreciation		<u>13,852,006</u>	16,373,238
(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	\$	(311,201)	
Less: other loans payable		(10,053,570)	
Less: capital leases payable		(99,621)	
Less: bonds payable		(3,937,615)	
Less: compensated absences payable		(40,371)	
Less: landfill closure/postclosure care costs		(75,448)	
Less: other postemployment benefits liability		(34,080)	
Less: accrued interest on bonds, notes, and capital leases		<u>(126,282)</u>	(14,678,188)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>4,649,973</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>10,488,715</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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General		Other Governmental Funds	Total Governmental Funds	
			Debt Service	Capital Projects			
Revenues							
Local Taxes	\$ 1,378,002	\$ 0	\$ 88,113	\$ 0	\$ 246,088	\$ 1,712,203	
Licenses and Permits	2,732	0	0	0	0	2,732	
Fines, Forfeitures, and Penalties	66,018	0	0	0	7,197	73,215	
Charges for Current Services	911,834	0	0	0	35	911,869	
Other Local Revenues	114,804	79,719	40,915	0	6,005	241,443	
Fees Received from County Officials	267,283	0	0	0	0	267,283	
State of Tennessee	1,415,900	1,258,245	264	368,719	957	3,044,085	
Federal Government	269,305	0	0	1,014,757	0	1,284,062	
Other Governments and Citizens Groups	272,375	0	1,130,689	0	0	1,403,064	
Total Revenues	\$ 4,698,253	\$ 1,337,964	\$ 1,259,981	\$ 1,383,476	\$ 260,282	\$ 8,339,956	
Expenditures							
Current:							
General Government	\$ 572,756	\$ 0	\$ 0	\$ 0	\$ 0	\$ 572,756	
Finance	470,459	0	0	0	0	470,459	
Administration of Justice	313,041	0	0	0	0	313,041	
Public Safety	1,992,388	0	0	0	238	1,992,626	
Public Health and Welfare	996,904	0	0	0	292,791	1,289,695	
Social, Cultural, and Recreational Services	66,537	0	0	0	0	66,537	
Agriculture and Natural Resources	51,715	0	0	0	0	51,715	
Other Operations	332,269	0	0	0	0	332,269	
Highways	0	1,432,109	0	0	0	1,432,109	
Debt Service:							
Principal on Debt	65,127	0	812,878	0	0	878,005	
Interest on Debt	4,098	0	283,154	0	0	287,252	
Other Debt Service	0	0	106,589	0	0	106,589	
Capital Projects	0	0	0	1,342,344	0	1,342,344	
Total Expenditures	\$ 4,865,294	\$ 1,432,109	\$ 1,202,621	\$ 1,342,344	\$ 293,029	\$ 9,135,397	
Excess (Deficiency) of Revenues Over Expenditures	\$ (167,041)	\$ (94,145)	\$ 57,360	\$ 41,132	\$ (32,747)	\$ (195,441)	
Other Financing Sources (Uses)							
Notes Issued	\$ 93,529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,529	
Insurance Recovery	4,423	0	0	0	0	4,423	
Transfers In	0	0	0	18,402	6,500	24,902	
Transfers Out	(6,500)	0	0	0	(18,402)	(24,902)	
Total Other Financing Sources (Uses)	\$ 91,452	\$ 0	\$ 0	\$ 18,402	\$ (11,902)	\$ 97,952	

(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	General Capital Projects	Other Governmental Funds		
Net Change in Fund Balances	\$ (75,589)	\$ (94,145)	\$ 57,360	\$ 59,534	\$ (44,649)	\$	(97,489)
Fund Balance, July 1, 2012	1,468,490	949,415	1,660,255	(121,278)	284,299		4,241,181
Fund Balance, June 30, 2013	\$ 1,392,901	\$ 855,270	\$ 1,717,615	\$ (61,744)	\$ 239,650	\$	4,143,692

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, 2013

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	(97,489)
(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	\$	105,529	
Add: capital assets donated and capitalized		506,000	
Less: current-year depreciation expense		<u>(797,794)</u>	(186,265)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	4,649,973	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(5,053,848)</u>	(403,875)
(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 related items:			
Less: note proceeds	\$	(93,529)	
Add: principal payments on bonds		271,584	
Add: principal payments on notes		116,461	
Add: principal payments on other loans		454,000	
Add: principal payments on capital leases		<u>35,960</u>	784,476
(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	\$	(2,901)	
Change in compensated absences payable		(1,075)	
Change in other postemployment benefits liability		(17,421)	
Change in landfill closure/postclosure care costs		<u>(1,407)</u>	(22,804)
Change in net position of governmental activities (Exhibit B)			<u>\$ 74,043</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,378,002	\$ 1,338,570	\$ 1,338,570	\$ 39,432
Licenses and Permits	2,732	3,000	4,000	(1,268)
Fines, Forfeitures, and Penalties	66,018	53,000	53,000	13,018
Charges for Current Services	911,834	738,600	645,071	266,763
Other Local Revenues	114,804	70,000	77,048	37,756
Fees Received from County Officials	267,283	209,700	209,700	57,583
State of Tennessee	1,415,900	1,316,350	1,435,852	(19,952)
Federal Government	269,305	159,000	284,475	(15,170)
Other Governments and Citizens Groups	272,375	180,800	267,287	5,088
Total Revenues	\$ 4,698,253	\$ 4,069,020	\$ 4,315,003	\$ 383,250
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 85,553	\$ 96,662	\$ 96,662	\$ 11,109
Board of Equalization	1,300	1,000	1,300	0
County Mayor/Executive	120,283	138,721	136,148	15,865
County Attorney	15,240	15,240	15,240	0
Election Commission	93,669	94,602	94,602	933
Register of Deeds	98,287	104,428	104,428	6,141
County Buildings	158,424	183,753	185,753	27,329
<u>Finance</u>				
Purchasing	64,310	68,405	68,405	4,095
Property Assessor's Office	102,848	105,119	105,118	2,270
Reappraisal Program	24,479	25,260	25,260	781
County Trustee's Office	119,584	131,140	131,140	11,556
County Clerk's Office	122,029	125,394	125,394	3,365
Other Finance	37,209	41,000	41,000	3,791
<u>Administration of Justice</u>				
Circuit Court	130,599	162,798	162,798	32,199
General Sessions Court	77,200	78,276	78,276	1,076
Drug Court	2,808	0	2,808	0
Chancery Court	102,434	107,698	107,698	5,264
<u>Public Safety</u>				
Sheriff's Department	564,785	576,747	618,166	53,381
Jail	1,184,312	997,061	1,230,156	45,844
Juvenile Services	14,410	15,890	15,890	1,480
Commissary	36,975	51,774	51,774	14,799
Civil Defense	156,495	37,036	162,511	6,016
Rescue Squad	1,361	1,400	1,400	39
County Coroner/Medical Examiner	31,526	31,000	31,526	0
Other Public Safety	2,524	6,700	6,700	4,176
<u>Public Health and Welfare</u>				
Local Health Center	59,661	60,000	60,000	339
Ambulance/Emergency Medical Services	859,089	778,554	892,318	33,229
Alcohol and Drug Programs	21,287	51,000	51,000	29,713
Crippled Children Services	415	415	415	0
Other Local Health Services	16,735	20,000	20,000	3,265

(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>Public Health and Welfare (Cont.)</u>				
Sanitation Management	\$ 39,717	\$ 39,199	\$ 41,079	\$ 1,362
Other Public Health and Welfare	0	5,640	5,640	5,640
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	9,146	9,146	9,146	0
Libraries	57,391	61,344	62,169	4,778
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	34,804	49,929	49,929	15,125
Soil Conservation	16,911	17,520	17,520	609
<u>Other Operations</u>				
Public Transportation	321,193	300,889	321,372	179
Veterans' Services	11,076	9,328	11,076	0
<u>Principal on Debt</u>				
General Government	65,127	100,555	97,835	32,708
<u>Interest on Debt</u>				
General Government	4,098	1,379	4,099	1
Total Expenditures	\$ 4,865,294	\$ 4,702,002	\$ 5,243,751	\$ 378,457
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (167,041)	\$ (632,982)	\$ (928,748)	\$ 761,707
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 93,529	\$ 0	\$ 93,529	\$ 0
Insurance Recovery	4,423	0	0	4,423
Transfers In	0	650,000	650,000	(650,000)
Transfers Out	(6,500)	0	(6,500)	0
Total Other Financing Sources	\$ 91,452	\$ 650,000	\$ 737,029	\$ (645,577)
Net Change in Fund Balance	\$ (75,589)	\$ 17,018	\$ (191,719)	\$ 116,130
Fund Balance, July 1, 2012	1,468,490	780,176	780,176	688,314
Fund Balance, June 30, 2013	\$ 1,392,901	\$ 797,194	\$ 588,457	\$ 804,444

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 and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 79,719	\$ 0	\$ 8,056	\$ 71,663
State of Tennessee	1,258,245	1,249,197	1,249,197	9,048
Total Revenues	\$ 1,337,964	\$ 1,249,197	\$ 1,257,253	\$ 80,711
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 423,078	\$ 484,937	\$ 484,937	\$ 61,859
Highway and Bridge Maintenance	642,826	1,177,174	1,175,735	532,909
Operation and Maintenance of Equipment	153,072	170,240	170,240	17,168
Other Charges	68,180	61,952	71,446	3,266
Employee Benefits	132,187	135,576	135,577	3,390
Capital Outlay	12,766	54,300	54,300	41,534
Total Expenditures	\$ 1,432,109	\$ 2,084,179	\$ 2,092,235	\$ 660,126
Excess (Deficiency) of Revenues Over Expenditures	\$ (94,145)	\$ (834,982)	\$ (834,982)	\$ 740,837
Net Change in Fund Balance	\$ (94,145)	\$ (834,982)	\$ (834,982)	\$ 740,837
Fund Balance, July 1, 2012	949,415	834,982	834,982	114,433
Fund Balance, June 30, 2013	\$ 855,270	\$ 0	\$ 0	\$ 855,270

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, 2013

Business-type
 Activities -
 Major
 Enterprise
 Fund

 Home
 Health
 Fund

ASSETS

Current Assets:

Equity in Pooled Cash and Investments	\$ 1,299,397
Accounts Receivable	267,016
Allowance for Uncollectibles	(57,614)
Total Current Assets	<u>\$ 1,508,799</u>

Noncurrent Assets:

Capital Assets:

Assets Not Depreciated:

Land	\$ 26,350
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Assets Net of Accumulated Depreciation:

Buildings and Improvements	<u>311,236</u>
----------------------------	----------------

Total Noncurrent Assets	<u>\$ 337,586</u>
-------------------------	-------------------

Total Assets	<u>\$ 1,846,385</u>
--------------	---------------------

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 3,914
Payroll Deductions Payable	3,259
Current Portion of Long-term Liabilities	<u>3,509</u>
Total Current Liabilities	<u>\$ 10,682</u>

Noncurrent Liabilities:

Due in More Than One Year	<u>\$ 14,036</u>
---------------------------	------------------

Total Noncurrent Liabilities	<u>\$ 14,036</u>
------------------------------	------------------

Total Liabilities	<u>\$ 24,718</u>
-------------------	------------------

NET POSITION

Net Investment in Capital Assets	\$ 337,586
----------------------------------	------------

Unrestricted	<u>1,484,081</u>
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Total Net Position	<u>\$ 1,821,667</u>
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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, 2013

	Business-type Activities - Major Enterprise Fund
	<u>Home Health Fund</u>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,276,171
Sale of Material and Supplies	250,748
Miscellaneous Refunds	2,765
Total Operating Revenues	<u>\$ 2,529,684</u>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 160,624
Medical Personnel	720,836
Clerical Personnel	70,954
Custodial Personnel	6,152
Other Salaries and Wages	5,474
Board and Committee Members Fees	2,777
In-service Training	851
Social Security	59,423
Employee and Dependent Insurance	41,021
Unemployment Compensation	4,999
Employer Medicare	13,897
Advertising	2,729
Communication	17,848
Contributions	900
Data Processing	7,553
Dues and Memberships	5,333
Operating Lease Payments	2,868
Legal Services	47,217
Legal Notices, Recording, and Court Costs	2,785
Licenses	3,337
Maintenance and Repair Services - Buildings	10,311
Maintenance and Repair Services - Office Equipment	97
Maintenance and Repair Services - Vehicles	145
Medical and Dental Services	465
Printing, Stationery, and Forms	991
Postal Charges	3,284
Rentals	19,628
Travel	105,133
Other Contracted Services	626,034
Custodial Supplies	424
Drugs and Medical Supplies	101,269
Electricity	9,110

(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
<u>Operating Expenses (Cont.)</u>	
<u>Cost of Sales and Services (Cont.)</u>	
Gasoline	\$ 1,522
Office Supplies	18,078
Propane Gas	2,206
Uniforms	641
Water and Sewer	1,841
Other Supplies and Materials	2,807
Liability Insurance	5,031
Refunds	10,354
Vehicle and Equipment Insurance	1,878
Premium on Corporate Surety Bonds	261
Depreciation	8,562
Other Charges	7,982
Motor Vehicles	2,000
Office Equipment	14,205
Total Operating Expenses	<u>\$ 2,131,837</u>
Operating Income (Loss)	<u>\$ 397,847</u>
Change in Net Position	\$ 397,847
Net Position, July 1, 2012	<u>1,423,820</u>
Net Position, June 30, 2013	<u>\$ 1,821,667</u>

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, 2013

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,474,142
Payments to Employees and Board Members	(961,455)
Payments for Fringe Benefits	(122,861)
Payments to Suppliers	(1,037,233)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 352,593</u>
Increase (Decrease) in Cash	\$ 352,593
Cash, July 1, 2012	<u>946,804</u>
Cash, June 30, 2013	<u><u>\$ 1,299,397</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 397,847
Adjustments to Reconcile Net Operating Income (Loss)	
to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	8,562
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(71,770)
Increase (Decrease) in Allowance for Uncollectibles	12,575
Increase (Decrease) in Accounts Payable and Other Current Liabilities	17
Increase (Decrease) in Compensated Absences	5,362
Net Cash Provided By (Used In) Operating Activities	<u>\$ 352,593</u>
<u>Reconciliation of Cash with the Statement of Net Position</u>	
Equity in Pooled Cash and Investments Per Net Position	<u>\$ 1,299,397</u>
Cash, June 30, 2013	<u><u>\$ 1,299,397</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 471,739
Equity in Pooled Cash and Investments	406,855
Accounts Receivable	4,184
Due from Other Governments	26,392
Prepaid Items	<u>2,664</u>
Total Assets	<u>\$ 911,834</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 508
Due to Other Taxing Units	438,775
Due to Litigants, Heirs, and Others	<u>472,551</u>
Total Liabilities	<u>\$ 911,834</u>

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

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

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 15-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, 2013.

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. Also, Hancock County has no deferred outflows of resources to report at June 30, 2013.

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.

General Capital Projects Fund – This fund is used to account for financial resources to be used in the acquisition or construction of capital assets.

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 type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in 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 4.5 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 Fund represent the balance in the payroll tax clearing account at June 30, 2013. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teachers' insurance clearing account (\$91,819) and the school board members' scholarship account (\$21,410) at June 30, 2013.

Retainage payable in the primary government's General Capital Projects Fund represents the amount withheld from payments made on a construction contract pending completion of the project.

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. Hancock County had no deferred outflows of resources to report at June 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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, gasoline tax, local option sales tax, income tax, beer and alcoholic beverage taxes, ambulance collections, contracted prisoner boarding, capital lease receivable, and long-term notes receivable. 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. 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, claims and judgments, 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, 2013, Hancock County had \$9,612,815 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.

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

8. Prior-period Adjustment

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$28,500 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented 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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted and the 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. Fund Deficit

The General Capital Projects Fund of the primary government had a negative unassigned fund balance of \$61,744 at June 30, 2013. This deficit resulted from the recognition of liabilities for construction contracts and retainage payable. Funding for this negative unassigned fund balance will be provided by federal grants and transfers.

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, 2013.

B. Lease Receivable/Long-term Note Receivable

Primary Government

The General Debt Service Fund had a lease receivable totaling \$4,367,261 at June 30, 2013. 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 a new hospital facility during the 2004-05 year and financed the facility through long-term debt and federal grants. A major portion of that financing was provided through the issuance of a \$6,000,000 general obligation bond by the county. Wellmont is required to pay the county lease payments that are equal to the amount of debt service requirements on the outstanding \$6,000,000 bond. In addition to the original \$6,000,000 bond, the county has issued a \$300,000 bond and a variable rate other loan of which \$707,534 was used for hospital construction. Presently, Wellmont is providing funding for

the retirement of all three debt issues associated with the hospital construction. Therefore, the amount recognized as a lease receivable is equal to the county's debt of which Wellmont is presently retiring. Wellmont has an option to purchase the facility for the then current fair market value 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 debt associated with the construction of the hospital, which Wellmont is presently retiring and upon which the lease payments are determined, was as follows:

	Balance 7-1-12	Retired	Balance 6-30-13
Hospital Bond (A)	\$ 4,080,000	\$ 240,000	\$ 3,840,000
Hospital Bond (B)	60,000	30,000	30,000
Other Loans	525,719	28,458	497,261
Total	\$ 4,665,719	\$ 298,458	\$ 4,367,261

In the financial statements of the General Debt Service Fund, revenues of \$538,815 have been recognized from Wellmont during the year. This amount includes \$501,245 in current payments under the agreement and \$37,570 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility including interest.

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 Hancock County School Department for a minimum of three years. Two employees did not complete the requirements of the program. Therefore, the financial statements of the General Purpose School Fund reflect a long-term note receivable of \$11,365 on June 30, 2013. 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, 2013, was as follows:

Primary Government

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 412,474	\$ 0	\$ 0	\$ 412,474
Total Capital Assets Not Depreciated	<u>\$ 412,474</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 412,474</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,578,285	\$ 0	\$ 0	\$ 3,578,285
Machinery and Equipment	2,581,046	105,529	31,075	2,655,500
Infrastructure	21,402,915	506,000	0	21,908,915
Total Capital Assets Depreciated	<u>\$ 27,562,246</u>	<u>\$ 611,529</u>	<u>\$ 31,075</u>	<u>\$ 28,142,700</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,736,833	\$ 92,390	\$ 0	\$ 1,829,223
Machinery and Equipment	2,169,198	157,681	31,075	2,295,804
Infrastructure	7,509,186	547,723	0	8,056,909
Total Accumulated Depreciation	<u>\$ 11,415,217</u>	<u>\$ 797,794</u>	<u>\$ 31,075</u>	<u>\$ 12,181,936</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,147,029</u>	<u>\$ (186,265)</u>	<u>\$ 0</u>	<u>\$ 15,960,764</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,559,503</u>	<u>\$ (186,265)</u>	<u>\$ 0</u>	<u>\$ 16,373,238</u>

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

Governmental Activities:

General Government	\$ 11,642
Finance	1,248
Public Safety	109,914
Public Health and Welfare	68,544
Social, Cultural, and Recreational Services	6,500
Agriculture and Natural Resources	482
Other Operations	35,145
Highway/Public Works	<u>564,319</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 797,794</u></u>

Business-type Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
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	\$ 22,668	\$ 8,562	\$ 31,230
Total Accumulated Depreciation	<u>\$ 22,668</u>	<u>\$ 8,562</u>	<u>\$ 31,230</u>
Total Capital Assets Depreciated, Net	<u>\$ 319,798</u>	<u>\$ (8,562)</u>	<u>\$ 311,236</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 346,148</u></u>	<u><u>\$ (8,562)</u></u>	<u><u>\$ 337,586</u></u>

There were no decreases in capital assets to report during the year ended June 30, 2013.

Depreciation expense totaling \$8,562 was charged to the Home Health Fund (enterprise fund).

Discretely Presented Hancock County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Construction in Progress	<u>35,724</u>	0	0	<u>35,724</u>
Total Capital Assets Not Depreciated	<u>\$ 488,874</u>	\$ 0	\$ 0	<u>\$ 488,874</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,573,433	\$ 0	\$ 0	\$ 15,573,433
Machinery and Equipment	<u>1,756,628</u>	0	74,415	<u>1,682,213</u>
Total Capital Assets Depreciated	<u>\$ 17,330,061</u>	\$ 0	\$ 74,415	<u>\$ 17,255,646</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,695,180	\$ 415,069	\$ 0	\$ 5,110,249
Machinery and Equipment	<u>1,006,429</u>	106,513	62,163	<u>1,050,779</u>
Total Accumulated Depreciation	<u>\$ 5,701,609</u>	\$ 521,582	\$ 62,163	<u>\$ 6,161,028</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,628,452</u>	\$ (521,582)	\$ 12,252	<u>\$ 11,094,618</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,117,326</u>	\$ (521,582)	\$ 12,252	<u>\$ 11,583,492</u>

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

Governmental Activities:

Instruction	\$	415,069
Support Services		86,896
Operation of Non-Instructional Services		<u>19,617</u>
Total Depreciation Expense - Governmental Activities	\$	<u>521,582</u>

D. Construction Commitments

At June 30, 2013, the primary government had uncompleted construction contracts of approximately \$37,775 for an industrial project, which is being paid from the General Capital Projects Fund. Funding for these future expenditures is expected to be received from federal grants and transfers from the Other Capital Projects Fund.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,501
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	2,100
Nonmajor governmental	General Purpose School	13,143

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 Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
Discretely Presented School Department:	Primary Government:	
General Purpose School	General	\$ 3,002

The amount reflected as due to the discretely presented School Department from the primary government is for revenues of the School Department that

were posted to the primary government's General Fund in error. The entire amount is expected to be received within one year.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In	
	General Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 6,500
Nonmajor governmental funds	18,402	0
Total	<u>\$ 18,402</u>	<u>\$ 6,500</u>

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

F. 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>(31,639)</u>
Total Book Value	<u>\$ 103,942</u>

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

Year Ending June 30	Governmental Funds
2014	\$ 37,338
2015	37,338
2016	<u>37,339</u>
Total Minimum Lease Payments	\$ 112,015
Less: Amount Representing Interest	<u>(12,394)</u>
Present Value of Minimum Lease Payments	<u>\$ 99,621</u>

G. 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 38 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, 2013, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2013, 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, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	4.6 to 5.6%	3-26-36	\$6,385,000	\$3,937,615
Capital Outlay Notes	2 to 4.74	11-3-16	456,829	311,201
Other Loans	Variable	5-25-28	13,650,000	10,053,570
Capital Leases	6.1	7-3-15	135,581	99,621

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, 2013, the variable interest rate and other fees for the other loan agreements were as follows:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-13	Interest Type	Interest Rates as of 6-30-13	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan	\$ 12,000,000	\$ 9,110,000	Variable	.12%	1.33%
School Construction and Hospital Equipment Loan	1,650,000	<u>943,570</u>	Variable	.17	1.43
Total		<u>\$ 10,053,570</u>			

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 271,661	\$ 223,323	\$ 494,984
2015	241,742	207,615	449,357
2016	241,827	193,903	435,730
2017	241,916	180,188	422,104
2018	242,009	166,916	408,925
2019-2023	1,211,613	626,671	1,838,284
2024-2028	1,214,733	282,734	1,497,467
2029-2033	258,693	19,719	278,412
2034-2036	13,421	1,450	14,871
Total	<u>\$ 3,937,615</u>	<u>\$ 1,902,519</u>	<u>\$ 5,840,134</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 149,849	\$ 8,854	\$ 158,703
2015	64,176	4,094	68,270
2016	64,176	2,377	66,553
2017	33,000	660	33,660
Total	\$ 311,201	\$ 15,985	\$ 327,186

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 486,000	\$ 12,536	\$ 134,747	\$ 633,283
2015	537,000	11,925	128,223	677,148
2016	559,000	11,252	121,019	691,271
2017	590,000	10,552	113,521	714,073
2018	632,000	9,814	105,609	747,423
2019-2023	3,657,000	36,449	392,438	4,085,887
2024-2028	3,592,570	11,471	123,349	3,727,390
Total	\$ 10,053,570	\$ 103,999	\$ 1,118,906	\$ 11,276,475

There is \$1,717,615 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$2,112, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2012	\$ 4,209,199	\$ 334,133	\$ 135,581
Additions	0	93,529	0
Reductions	(271,584)	(116,461)	(35,960)
Balance, June 30, 2013	\$ 3,937,615	\$ 311,201	\$ 99,621
Balance Due Within One Year	\$ 271,661	\$ 149,849	\$ 31,261

Governmental Activities (Cont.):

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2012	\$ 74,041	\$ 10,507,570	\$ 39,296
Additions	1,407	0	16,794
Reductions	0	(454,000)	(15,719)
	<hr/>		
Balance, June 30, 2013	\$ 75,448	\$ 10,053,570	\$ 40,371
	<hr/>		
Balance Due Within One Year	\$ 3,897	\$ 486,000	\$ 16,150
	<hr/>		

	Other Postemployment Benefits
Balance, July 1, 2012	\$ 16,659
Additions	19,959
Reductions	(2,538)
	<hr/>
Balance, June 30, 2013	\$ 34,080
	<hr/>
Balance Due Within One Year	\$ 0
	<hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 14,551,906
Less: Balance Due Within One Year	<u>(958,818)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 13,593,088</u>

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

Hancock County Home Health Fund (enterprise fund)

Long-term obligations activity for the Home Health Fund (enterprise fund) for the year ended June 30, 2013, was as follows:

Business-type Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2012	\$ 12,183
Additions	7,799
Reductions	<u>(2,437)</u>
Balance, June 30, 2013	<u>\$ 17,545</u>
Balance Due Within One Year	<u>\$ 3,509</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, 2013, was as follows:

	<u>Other Postemployment Benefits</u>	<u>Claims and Judgments Payable</u>
Balance, July 1, 2012	\$ 246,963	\$ 7,500
Additions	109,393	0
Reductions	<u>(25,582)</u>	<u>(7,500)</u>
Balance, June 30, 2013	<u>\$ 330,774</u>	<u>\$ 0</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, 2013	\$ 330,774
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 330,774</u>

A judgment of \$75,000 was assessed against the School Department related to a lawsuit filed by an employee for a work related injury. The judgment was to be paid over a ten-year period with interest of six percent. The final installment of \$7,500 (plus interest of \$450) of this claims and judgments payable was paid during the year from the General Purpose School Fund.

H. Pledges of Future Revenues

The Board of Education pledged, by resolution, a minimum of \$541,000 per year for the next 14 years to the General Debt Service Fund from the Basic Education Program to provide funds for the retirement of debt issued for school construction. However, because of decreased interest requirements on the debt for the current year, the School Department contributed only \$528,750 to the General Debt Service Fund. The School Department also contributed \$58,167 to the General Debt Service Fund to be applied toward the retirement of capital outlay notes that were issued for the purchase of school buses.

I. 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, 2013, were \$17,710 and \$14,029, 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 Change(s)

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

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

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only

organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

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

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

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

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

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$28,500 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

C. Subsequent Events

The County Commission approved a tax anticipation note not to exceed \$250,000. However, the tax anticipation note had not been issued as of the date of this report.

Subsequent to June 30, 2013, the County Commission appointed members of the newly formed Audit Committee.

D. 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 landfills 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 \$75,448 reported as postclosure liability at June 30, 2013, represents amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Joint 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, 2013, 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

F. 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.

G. Retirement Commitments

Information for this footnote for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2012.

Plan Description

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

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

Funding Policy

Hancock County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 7.28 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the county's annual pension cost of \$40,898 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hancock County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 20 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$ 40,898	100%	\$ 0
6-30-11	40,042	100	0
6-30-10	40,924	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 89.54 percent funded. The actuarial accrued liability for benefits was \$1.99 million, and the actuarial value of assets was \$1.78 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.21 million. The covered

payroll (annual payroll of active employees covered by the plan) was \$.44 million, and the ratio of the UAAL to the covered payroll was 47.72 percent.

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

SCHOOL TEACHERS

Plan Description

The Hancock County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for School Department is established at an actuarially determined rate. The employer rate for the

fiscal year ended June 30, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2012, 2011, and 2010 were \$418,781, \$433,048, and \$302,789 respectively, equal to the required contributions for each year.

H. 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	\$ 110,000	\$ 20,000
Interest on the NOPEBO	9,879	666
Adjustment to the ARC	(10,486)	(707)
Annual OPEB cost	\$ 109,393	\$ 19,959
Amount of contribution	(25,582)	(2,538)
Increase/decrease in NOPEBO	\$ 83,811	\$ 17,421
Net OPEB obligation, 7-1-12	246,963	16,659
 Net OPEB obligation, 6-30-13	 \$ 330,774	 \$ 34,080

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 76,279	40 %	\$ 163,142
6-30-12	"	108,599	23	246,963
6-30-13	"	109,393	23	330,774
6-30-12	Local Government Group*	20,000	17	16,659
6-30-13	"	19,959	13	34,080

* Data only available for two years.

The funded status of the plans as of July 1, 2012, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 820,000	\$ 29,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 820,000	\$ 29,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 4,283,405	\$ 3,598,470
UAAL as a % of covered payroll	19.14%	.81%

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

Actuarial Methods and Assumptions

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

In the July 1, 2011 actuarial valuation for the Local Government and the Local Education plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

I. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 1,780	\$ 1,987	208	89.54 %	\$ 436	47.72 %
7-1-09	1,488	1,805	317	82.42	560	56.72
7-1-07	1,401	1,407	6	99.57	545	1.10

Information for this exhibit for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2012.

Exhibit F-2

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

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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 %
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	667	667	0	4,640	14
"	7-1-10	0	692	692	0	4,712	15
"	7-1-11	0	820	820	0	4,283	19

*Data only available for one actuarial valuation.

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

BUDGETARY INFORMATION

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for 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, and sheriff.

Capital Projects Fund

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.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the construction and equipping of the county hospital.

Exhibit G-1

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

	Special Revenue Funds				Constituti- onal Officers - Fees	Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control					Other Capital Projects		
\$	0 \$	0 \$	1,501 \$	0 \$	1,501 \$	0 \$	0 \$	1,501	
	39,908	13,735	0	199,199	53,643	0	0	252,842	
	89	0	0	0	89	0	0	89	
	876	0	0	0	876	0	0	876	
	284,060	0	0	0	284,060	0	0	284,060	
	(22,998)	0	0	0	(22,998)	0	0	(22,998)	
\$	301,935 \$	13,735 \$	1,501 \$	199,199 \$	317,171 \$	0 \$	0 \$	516,370	
<u>ASSETS</u>									
Cash									
Equity in Pooled Cash and Investments									
Accounts Receivable									
Due from Other Governments									
Property Taxes Receivable									
Allowance for Uncollectible Property Taxes									
Total Assets									
<u>LIABILITIES</u>									
Accounts Payable									
Payroll Deductions Payable									
Due to Other Funds									
Total Liabilities									
<u>DEFERRED INFLOWS OF RESOURCES</u>									
Deferred Current Property Taxes									
Deferred Delinquent Property Taxes									
Other Deferred/Unavailable Revenue									
Total Deferred Inflows of Resources									
<u>FUND BALANCES</u>									
Restricted:									
Restricted for Public Safety									
Restricted for Public Health and Welfare									
Restricted for Capital Projects									
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, 2013

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Solid</u>	<u>Drug</u>	<u>Total</u>	<u>Projects</u>	
	<u>Waste /</u>	<u>Control</u>		<u>Other</u>	<u>Nonmajor</u>
	<u>Sanitation</u>	<u>Control</u>	<u>Total</u>	<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Local Taxes	\$ 246,088	\$ 0	\$ 246,088	\$ 0	\$ 246,088
Fines, Forfeitures, and Penalties	0	7,197	7,197	0	7,197
Charges for Current Services	35	0	35	0	35
Other Local Revenues	6,005	0	6,005	0	6,005
State of Tennessee	957	0	957	0	957
Total Revenues	<u>\$ 253,085</u>	<u>\$ 7,197</u>	<u>\$ 260,282</u>	<u>\$ 0</u>	<u>\$ 260,282</u>
<u>Expenditures</u>					
Current:					
Public Safety	\$ 0	\$ 238	\$ 238	\$ 0	\$ 238
Public Health and Welfare	292,791	0	292,791	0	292,791
Total Expenditures	<u>\$ 292,791</u>	<u>\$ 238</u>	<u>\$ 293,029</u>	<u>\$ 0</u>	<u>\$ 293,029</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>\$ (39,706)</u>	<u>\$ 6,959</u>	<u>\$ (32,747)</u>	<u>\$ 0</u>	<u>\$ (32,747)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 6,500	\$ 0	\$ 6,500	\$ 0	\$ 6,500
Transfers Out	0	0	0	(18,402)	(18,402)
Total Other Financing Sources (Uses)	<u>\$ 6,500</u>	<u>\$ 0</u>	<u>\$ 6,500</u>	<u>\$ (18,402)</u>	<u>\$ (11,902)</u>
Net Change in Fund Balances					
Fund Balance, July 1, 2012	<u>\$ 59,922</u>	<u>\$ 6,776</u>	<u>\$ 66,698</u>	<u>\$ 217,601</u>	<u>\$ 284,299</u>
Fund Balance, June 30, 2013	<u>\$ 26,716</u>	<u>\$ 13,735</u>	<u>\$ 40,451</u>	<u>\$ 199,199</u>	<u>\$ 239,650</u>

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 246,088	\$ 230,894	\$ 230,894	\$ 15,194
Charges for Current Services	35	300	300	(265)
Other Local Revenues	6,005	5,100	5,100	905
State of Tennessee	957	2,100	2,100	(1,143)
Total Revenues	<u>\$ 253,085</u>	<u>\$ 238,394</u>	<u>\$ 238,394</u>	<u>\$ 14,691</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 292,791	\$ 298,220	\$ 304,720	\$ 11,929
Total Expenditures	<u>\$ 292,791</u>	<u>\$ 298,220</u>	<u>\$ 304,720</u>	<u>\$ 11,929</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (39,706)</u>	<u>\$ (59,826)</u>	<u>\$ (66,326)</u>	<u>\$ 26,620</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 6,500	\$ 0	\$ 6,500	\$ 0
Total Other Financing Sources	<u>\$ 6,500</u>	<u>\$ 0</u>	<u>\$ 6,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (33,206)	\$ (59,826)	\$ (59,826)	\$ 26,620
Fund Balance, July 1, 2012	<u>59,922</u>	<u>59,826</u>	<u>59,826</u>	<u>96</u>
Fund Balance, June 30, 2013	<u>\$ 26,716</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,716</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 7,197	\$ 5,350	\$ 5,350	\$ 1,847
Total Revenues	\$ 7,197	\$ 5,350	\$ 5,350	\$ 1,847
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 238	\$ 5,105	\$ 5,105	\$ 4,867
Total Expenditures	\$ 238	\$ 5,105	\$ 5,105	\$ 4,867
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,959	\$ 245	\$ 245	\$ 6,714
Net Change in Fund Balance	\$ 6,959	\$ 245	\$ 245	\$ 6,714
Fund Balance, July 1, 2012	6,776	6,776	6,776	0
Fund Balance, June 30, 2013	\$ 13,735	\$ 7,021	\$ 7,021	\$ 6,714

Major Governmental Fund

General Debt Service Fund

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.

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 88,113	\$ 83,278	\$ 83,278	\$ 4,835
Other Local Revenues	40,915	33,500	33,500	7,415
State of Tennessee	264	0	0	264
Other Governments and Citizens Groups	1,130,689	1,099,499	1,157,666	(26,977)
Total Revenues	<u>\$ 1,259,981</u>	<u>\$ 1,216,277</u>	<u>\$ 1,274,444</u>	<u>\$ (14,463)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 333,042	\$ 333,042	\$ 333,042	\$ 0
Education	479,836	425,542	479,836	0
<u>Interest on Debt</u>				
General Government	239,783	261,756	261,756	21,973
Education	43,371	494,018	447,891	404,520
<u>Other Debt Service</u>				
General Government	9,088	12,000	12,000	2,912
Education	97,501	55,000	105,000	7,499
Total Expenditures	<u>\$ 1,202,621</u>	<u>\$ 1,581,358</u>	<u>\$ 1,639,525</u>	<u>\$ 436,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 57,360</u>	<u>\$ (365,081)</u>	<u>\$ (365,081)</u>	<u>\$ 422,441</u>
Net Change in Fund Balance	\$ 57,360	\$ (365,081)	\$ (365,081)	\$ 422,441
Fund Balance, July 1, 2012	1,660,255	1,651,219	1,651,219	9,036
Fund Balance, June 30, 2013	<u>\$ 1,717,615</u>	<u>\$ 1,286,138</u>	<u>\$ 1,286,138</u>	<u>\$ 431,477</u>

Fiduciary Funds

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, 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, 2013

	<u>Agency Funds</u>			
	Cities -	Constitu-	Other	Total
	Sales	tional	Agency	
	Tax	Officers -	Agency	
		Agency		
<u>ASSETS</u>				
Cash	\$ 0	\$ 471,739	\$ 0	\$ 471,739
Equity in Pooled Cash and Investments	0	0	406,855	406,855
Accounts Receivable	0	812	3,372	4,184
Due from Other Governments	26,392	0	0	26,392
Prepaid Items	0	0	2,664	2,664
	<hr/>			
Total Assets	\$ 26,392	\$ 472,551	\$ 412,891	\$ 911,834
	<hr/>			
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 508	\$ 508
Due to Other Taxing Units	26,392	0	412,383	438,775
Due to Litigants, Heirs, and Others	0	472,551	0	472,551
	<hr/>			
Total Liabilities	\$ 26,392	\$ 472,551	\$ 412,891	\$ 911,834
	<hr/>			

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 162,700	\$ 162,700	\$ 0
Due from Other Governments	26,075	26,392	26,075	26,392
Total Assets	\$ 26,075	\$ 189,092	\$ 188,775	\$ 26,392
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 26,075	\$ 189,092	\$ 188,775	\$ 26,392
Total Liabilities	\$ 26,075	\$ 189,092	\$ 188,775	\$ 26,392
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 463,794	\$ 1,191,105	\$ 1,183,160	\$ 471,739
Accounts Receivable	0	812	0	812
Total Assets	\$ 463,794	\$ 1,191,917	\$ 1,183,160	\$ 472,551
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 463,794	\$ 1,191,917	\$ 1,183,160	\$ 472,551
Total Liabilities	\$ 463,794	\$ 1,191,917	\$ 1,183,160	\$ 472,551
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 342,170	\$ 485,052	\$ 420,367	\$ 406,855
Accounts Receivable	3,864	3,372	3,864	3,372
Prepaid Items	2,607	2,664	2,607	2,664
Total Assets	\$ 348,641	\$ 491,088	\$ 426,838	\$ 412,891
<u>Liabilities</u>				
Accounts Payable	\$ 688	\$ 508	\$ 688	\$ 508
Due to Other Taxing Units	347,953	490,580	426,150	412,383
Total Liabilities	\$ 348,641	\$ 491,088	\$ 426,838	\$ 412,891

(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	\$ 463,794	\$ 1,191,105	\$ 1,183,160	\$ 471,739
Equity in Pooled Cash and Investments	342,170	647,752	583,067	406,855
Accounts Receivable	3,864	4,184	3,864	4,184
Due from Other Governments	26,075	26,392	26,075	26,392
Prepaid Items	2,607	2,664	2,607	2,664
Total Assets	<u>\$ 838,510</u>	<u>\$ 1,872,097</u>	<u>\$ 1,798,773</u>	<u>\$ 911,834</u>
<u>Liabilities</u>				
Accounts Payable	\$ 688	\$ 508	\$ 688	\$ 508
Due to Other Taxing Units	374,028	679,672	614,925	438,775
Due to Litigants, Heirs, and Others	463,794	1,191,917	1,183,160	472,551
Total Liabilities	<u>\$ 838,510</u>	<u>\$ 1,872,097</u>	<u>\$ 1,798,773</u>	<u>\$ 911,834</u>

Hancock County School Department

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.

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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,295,622	\$ 300	\$ 477,378	\$ (4,817,944)
Support Services	3,335,186	0	311,379	(3,023,807)
Operation of Non-Instructional Services	1,492,762	100,138	1,255,436	(137,188)
Other Debt Service	586,917	0	0	(586,917)
Total Governmental Activities	\$ 10,710,487	\$ 100,438	\$ 2,044,193	\$ (8,565,856)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 625,907
Local Option Sales Taxes				214,985
Wheel Tax				61,132
Wholesale Beer Tax				1,923
Interstate Telecommunications Tax				555
Grants and Contributions Not Restricted for Specific Programs				6,800,549
Unrestricted Investment Income				636
Miscellaneous				8,371
Total General Revenues				\$ 7,714,058
Change in Net Position				\$ (851,798)
Net Position, July 1, 2012				14,948,874
Net Position, June 30, 2013				\$ 14,097,076

Exhibit J-2

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

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 21,410	\$ 0	\$ 9,159	\$ 30,569
Equity in Pooled Cash and Investments	2,515,245	66,405	246,416	2,828,066
Accounts Receivable	12,260	0	0	12,260
Due from Other Governments	63,538	42,924	0	106,462
Due from Other Funds	2,100	0	13,143	15,243
Due from Primary Government	3,002	0	0	3,002
Property Taxes Receivable	676,821	0	0	676,821
Allowance for Uncollectible Property Taxes	(56,608)	0	0	(56,608)
Notes Receivable - Long-term	11,365	0	0	11,365
Total Assets	\$ 3,249,133	\$ 109,329	\$ 268,718	\$ 3,627,180
<u>LIABILITIES</u>				
Accounts Payable	\$ 43,061	\$ 9,936	\$ 30	\$ 53,027
Due to Other Funds	13,143	0	2,100	15,243
Other Current Liabilities	113,229	0	0	113,229
Total Liabilities	\$ 169,433	\$ 9,936	\$ 2,130	\$ 181,499
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 601,323	\$ 0	\$ 0	\$ 601,323
Deferred Delinquent Property Taxes	18,169	0	0	18,169
Other Deferred/Unavailable Revenue	29,587	0	0	29,587
Total Deferred Inflows of Resources	\$ 649,079	\$ 0	\$ 0	\$ 649,079
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 15,917	\$ 19,393	\$ 266,588	\$ 301,898
Committed:				
Committed for Education	0	80,000	0	80,000
Committed for Debt Service	743,194	0	0	743,194
Assigned:				
Assigned for Education	31,263	0	0	31,263
Assigned for Capital Projects	331,630	0	0	331,630
Unassigned	1,308,617	0	0	1,308,617
Total Fund Balances	\$ 2,430,621	\$ 99,393	\$ 266,588	\$ 2,796,602
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,249,133	\$ 109,329	\$ 268,718	\$ 3,627,180

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, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	2,796,602
(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: construction in progress		35,724	
Add: building and improvements net of accumulated depreciation		10,463,184	
Add: machinery and equipment net of accumulated depreciation		<u>631,434</u>	11,583,492
(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			(330,774)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>47,756</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>14,097,076</u></u>

Exhibit J-4

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, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 909,062	\$ 0	\$ 0	\$ 909,062
Licenses and Permits	437	0	0	437
Charges for Current Services	0	0	100,138	100,138
Other Local Revenues	78,281	0	636	78,917
State of Tennessee	6,973,846	0	6,313	6,980,159
Federal Government	17,455	1,269,984	519,697	1,807,136
Total Revenues	<u>\$ 7,979,081</u>	<u>\$ 1,269,984</u>	<u>\$ 626,784</u>	<u>\$ 9,875,849</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,105,982	\$ 717,485	\$ 0	\$ 4,823,467
Support Services	2,720,775	534,203	0	3,254,978
Operation of Non-Instructional Services	758,122	0	715,023	1,473,145
Capital Outlay	812	0	0	812
Debt Service:				
Other Debt Service	586,917	0	0	586,917
Total Expenditures	<u>\$ 8,172,608</u>	<u>\$ 1,251,688</u>	<u>\$ 715,023</u>	<u>\$ 10,139,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (193,527)</u>	<u>\$ 18,296</u>	<u>\$ (88,239)</u>	<u>\$ (263,470)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 26,927	\$ 0	\$ 0	\$ 26,927
Total Other Financing Sources (Uses)	<u>\$ 26,927</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,927</u>
Net Change in Fund Balances	\$ (166,600)	\$ 18,296	\$ (88,239)	\$ (236,543)
Fund Balance, July 1, 2012	<u>2,597,221</u>	<u>81,097</u>	<u>354,827</u>	<u>3,033,145</u>
Fund Balance, June 30, 2013	<u>\$ 2,430,621</u>	<u>\$ 99,393</u>	<u>\$ 266,588</u>	<u>\$ 2,796,602</u>

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, 2013

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (236,543)
(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:		
Less: current-year depreciation expense		(521,582)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: loss on disposal of capital assets	\$ (202)	
Less: proceeds from sale of capital assets	<u>(12,050)</u>	(12,252)
(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, 2013	\$ 47,756	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(52,866)</u>	(5,110)
(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 judgments payable	\$ 7,500	
Change in other postemployment benefits liability	<u>(83,811)</u>	<u>(76,311)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (851,798)</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 909,062	\$ 879,760	\$ 879,760	\$ 29,302
Licenses and Permits	437	600	600	(163)
Other Local Revenues	78,281	35,332	57,832	20,449
State of Tennessee	6,973,846	6,857,887	6,987,241	(13,395)
Federal Government	17,455	80,327	20,348	(2,893)
Total Revenues	\$ 7,979,081	\$ 7,853,906	\$ 7,945,781	\$ 33,300
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,069,902	\$ 2,986,640	\$ 3,105,600	\$ 35,698
Alternative Instruction Program	58,653	42,402	58,751	98
Special Education Program	613,632	619,680	613,633	1
Vocational Education Program	343,794	409,280	357,341	13,547
Adult Education Program	20,001	19,352	20,001	0
<u>Support Services</u>				
Attendance	80,551	83,234	85,310	4,759
Health Services	103,565	101,227	106,445	2,880
Other Student Support	252,408	274,159	265,518	13,110
Regular Instruction Program	348,349	321,407	364,513	16,164
Special Education Program	54,104	43,468	54,114	10
Vocational Education Program	13,529	37,468	13,626	97
Adult Programs	25,630	3,241	25,631	1
Other Programs	31,739	0	31,739	0
Board of Education	193,923	196,616	194,198	275
Director of Schools	119,694	122,962	121,669	1,975
Office of the Principal	286,955	289,711	294,785	7,830
Fiscal Services	85,309	82,705	86,666	1,357
Operation of Plant	548,538	606,155	603,255	54,717
Maintenance of Plant	95,376	93,495	97,982	2,606
Transportation	461,105	461,542	468,361	7,256
Central and Other	20,000	10,000	20,000	0
<u>Operation of Non-Instructional Services</u>				
Community Services	100,943	91,112	112,363	11,420
Early Childhood Education	657,179	655,609	657,225	46
<u>Capital Outlay</u>				
Regular Capital Outlay	812	0	40,000	39,188
<u>Other Debt Service</u>				
Education	586,917	599,168	599,168	12,251
Total Expenditures	\$ 8,172,608	\$ 8,150,633	\$ 8,397,894	\$ 225,286
Excess (Deficiency) of Revenues Over Expenditures	\$ (193,527)	\$ (296,727)	\$ (452,113)	\$ 258,586
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 26,927	\$ 0	\$ 0	\$ 26,927
Total Other Financing Sources	\$ 26,927	\$ 0	\$ 0	\$ 26,927

(Continued)

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 (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (166,600)	\$ (296,727)	\$ (452,113)	\$ 285,513
Fund Balance, July 1, 2012	2,597,221	296,727	452,113	2,145,108
Fund Balance, June 30, 2013	\$ 2,430,621	\$ 0	\$ 0	\$ 2,430,621

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,269,984	\$ 1,313,386	\$ 1,546,565	\$ (276,581)
Total Revenues	\$ 1,269,984	\$ 1,313,386	\$ 1,546,565	\$ (276,581)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 502,558	\$ 537,907	\$ 564,675	\$ 62,117
Special Education Program	195,507	249,701	252,111	56,604
Vocational Education Program	19,420	19,447	19,420	0
<u>Support Services</u>				
Other Student Support	70,260	100,717	136,288	66,028
Regular Instruction Program	426,145	367,893	506,586	80,441
Special Education Program	17,679	20,000	20,000	2,321
Vocational Education Program	1,000	1,000	1,000	0
Transportation	19,119	17,550	47,466	28,347
Total Expenditures	\$ 1,251,688	\$ 1,314,215	\$ 1,547,546	\$ 295,858
Excess (Deficiency) of Revenues Over Expenditures	\$ 18,296	\$ (829)	\$ (981)	\$ 19,277
Net Change in Fund Balance	\$ 18,296	\$ (829)	\$ (981)	\$ 19,277
Fund Balance, July 1, 2012	81,097	829	981	80,116
Fund Balance, June 30, 2013	\$ 99,393	\$ 0	\$ 0	\$ 99,393

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 100,138	\$ 87,000	\$ 87,000	\$ 13,138
Other Local Revenues	636	800	800	(164)
State of Tennessee	6,313	12,000	12,000	(5,687)
Federal Government	519,697	465,029	465,440	54,257
Total Revenues	<u>\$ 626,784</u>	<u>\$ 564,829</u>	<u>\$ 565,240</u>	<u>\$ 61,544</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 715,023	\$ 706,922	\$ 717,028	\$ 2,005
Total Expenditures	<u>\$ 715,023</u>	<u>\$ 706,922</u>	<u>\$ 717,028</u>	<u>\$ 2,005</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,239)</u>	<u>\$ (142,093)</u>	<u>\$ (151,788)</u>	<u>\$ 63,549</u>
Net Change in Fund Balance	\$ (88,239)	\$ (142,093)	\$ (151,788)	\$ 63,549
Fund Balance, July 1, 2012	<u>354,827</u>	<u>142,093</u>	<u>151,788</u>	<u>203,039</u>
Fund Balance, June 30, 2013	<u>\$ 266,588</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 266,588</u>

MISCELLANEOUS SCHEDULES

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, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE								
<u>Payable through General Fund</u>								
Ambulance	\$ 93,529	3.39 %	7-31-12	7-31-15	\$ 0	\$ 93,529	\$ 0	\$ 93,529
"	87,500	4.74	8-20-10	8-20-13	58,333	0	29,167	29,166
Total Payable through General Fund					\$ 58,333	\$ 93,529	\$ 29,167	\$ 122,695
<u>Payable through General Debt Service Fund</u>								
School Buses	110,800	2.9	4-25-12	7-1-14	\$ 110,800	\$ 0	\$ 54,294	\$ 56,506
Courthouse Annex	(1) 165,000	2	11-3-11	11-3-16	165,000	0	33,000	132,000
Total Payable through General Debt Service Fund					\$ 275,800	\$ 0	\$ 87,294	\$ 188,506
Total Notes Payable					\$ 334,133	\$ 93,529	\$ 116,461	\$ 311,201
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 9,510,000	\$ 0	\$ 400,000	\$ 9,110,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	997,570	0	54,000	943,570
Total Other Loans Payable					\$ 10,507,570	\$ 0	\$ 454,000	\$ 10,053,570
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	135,581	6.1	5-3-12	7-3-15	\$ 135,581	\$ 0	\$ 35,960	\$ 99,621
Total Capital Leases Payable					\$ 135,581	\$ 0	\$ 35,960	\$ 99,621
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
F.H.A. Industrial Development Bond	85,000	4.875	3-26-1998	3-26-36	\$ 69,199	\$ 0	\$ 1,584	\$ 67,615
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	4,080,000	0	240,000	3,840,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	60,000	0	30,000	30,000
Total Bonds Payable					\$ 4,209,199	\$ 0	\$ 271,584	\$ 3,937,615

(1) This note was originally reflected as payable through the General Fund.

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 149,849	\$ 8,854	\$ 158,703
2015	64,176	4,094	68,270
2016	64,176	2,377	66,553
2017	33,000	660	33,660
Total	<u>\$ 311,201</u>	<u>\$ 15,985</u>	<u>\$ 327,186</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2014	\$ 486,000	\$ 12,536	\$ 134,747	\$ 633,283
2015	537,000	11,925	128,223	677,148
2016	559,000	11,252	121,019	691,271
2017	590,000	10,552	113,521	714,073
2018	632,000	9,814	105,609	747,423
2019	658,000	9,024	97,135	764,159
2020	695,000	8,203	88,315	791,518
2021	736,000	7,337	79,000	822,337
2022	768,000	6,420	69,139	843,559
2023	800,000	5,465	58,849	864,314
2024	842,000	4,470	48,132	894,602
2025	878,000	3,423	36,853	918,276
2026	905,000	2,333	25,095	932,428
2027	947,000	1,210	12,975	961,185
2028	20,570	35	294	20,899
Total	<u>\$ 10,053,570</u>	<u>\$ 103,999</u>	<u>\$ 1,118,906</u>	<u>\$ 11,276,475</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2014	\$ 31,261	\$ 6,077	\$ 37,338
2015	33,168	4,170	37,338
2016	35,192	2,147	37,339
Total	<u>\$ 99,621</u>	<u>\$ 12,394</u>	<u>\$ 112,015</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	
2014	\$ 271,661	\$ 223,323	\$ 494,984
2015	241,742	207,615	449,357
2016	241,827	193,903	435,730
2017	241,916	180,188	422,104
2018	242,009	166,916	408,925
2019	242,107	152,743	394,850
2020	242,210	139,014	381,224
2021	242,317	125,280	367,597
2022	242,430	111,839	354,269
2023	242,549	97,795	340,344
2024	242,673	84,044	326,717
2025	242,803	70,287	313,090
2026	242,940	56,673	299,613
2027	243,083	42,754	285,837
2028	243,234	28,976	272,210
2029	243,391	15,193	258,584
2030	3,557	1,400	4,957
2031	3,730	1,227	4,957
2032	3,912	1,045	4,957
2033	4,103	854	4,957
2034	4,303	654	4,957
2035	4,512	445	4,957
2036	4,606	351	4,957
Total	<u>\$ 3,937,615</u>	<u>\$ 1,902,519</u>	<u>\$ 5,840,134</u>

Exhibit K-3

Hancock County, Tennessee
Schedule of Notes and Capital Leases Receivable
Primary Government and Discretely Presented Hancock County School Department
June 30, 2013

Description	Original Amount of Note/ Lease	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-13
<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 %	\$ 3,840,000
"	300,000	12-15-03	12-15-13	4.6	30,000
"	707,534	Various	5-25-28	Variable	497,261
Total					<u>\$ 4,367,261</u>
<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
"	2,588	2-7-11	9-30-13	0	180
Total					<u>\$ 11,365</u>

Exhibit K-4

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Operations	\$ 6,500
Other Capital Projects	General Capital Projects	Capital Expenditures	18,402
Total Transfers			<u>\$ 24,902</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 66,741	\$ 25,000	Auto-Owners Mutual Insurance Company
Road Superintendent	Section 8-24-102, TCA	58,563	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	80,028 (1)	100,000	"
Trustee	Section 8-24-102, TCA	53,239	454,500	Auto-Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, TCA	53,239	25,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	53,239 (2)	25,000	Auto-Owners Mutual Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	53,239	25,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	53,239	25,000	Western Surety Company
Register of Deeds	Section 8-24-102, TCA	53,239	15,000	"
Sheriff	Section 8-24-102, TCA, and County Commission	63,563 (3)	25,000	Auto-Owners Mutual Insurance Company
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			25,000	Western Surety Company
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes chief executive officer's training supplement of \$1,000.
- (2) Does not include \$500 supplement for secretary of the County Commission.
- (3) Includes \$5,000 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, 2013

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General	Debt Service	General	Capital Projects		
									Waste / Sanitation	
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 1,124,134	\$ 226,334	\$ 0	\$ 0	\$ 0	\$ 81,532	\$ 0	\$ 0	\$ 1,432,000	
Trustee's Collections - Prior Year	37,382	7,835	0	0	0	2,820	0	0	48,037	
Circuit/Clerk & Master Collections - Prior Years	53,266	9,608	0	0	0	3,033	0	0	65,907	
Interest and Penalty	7,343	1,480	0	0	0	533	0	0	9,356	
Pick-up Taxes	19	4	0	0	0	1	0	0	24	
Payments in-Lieu-of Taxes - T.V.A.	19	4	0	0	0	1	0	0	24	
<u>County Local Option Taxes</u>										
Local Option Sales Tax	44,123	0	0	0	0	0	0	0	44,123	
Wheel Tax	61,392	0	0	0	0	0	0	0	61,392	
Litigation Tax - General	10,029	0	0	0	0	0	0	0	10,029	
Litigation Tax - Special Purpose	5,362	0	0	0	0	0	0	0	5,362	
Litigation Tax - Jail, Workhouse, or Courthouse	6,549	0	0	0	0	0	0	0	6,549	
Litigation Tax - Courtroom Security	1,018	0	0	0	0	0	0	0	1,018	
Business Tax	16,964	0	0	0	0	0	0	0	16,964	
Other County Local Option Taxes	6,228	0	0	0	0	0	0	0	6,228	
<u>Statutory Local Taxes</u>										
Wholesale Beer Tax	3,752	823	0	0	0	193	0	0	4,748	
Interstate Telecommunications Tax	442	0	0	0	0	0	0	0	442	
Total Local Taxes	\$ 1,378,002	\$ 246,088	\$ 0	\$ 0	\$ 0	\$ 88,113	\$ 0	\$ 0	\$ 1,712,203	
<u>Licenses and Permits</u>										
Permits										
Beer Permits	332	0	0	0	0	0	0	0	332	
Building Permits	2,400	0	0	0	0	0	0	0	2,400	
Total Licenses and Permits	\$ 2,732	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,732	
<u>Fines, Forfeitures, and Penalties</u>										
Circuit Court										
Fines	1,782	0	0	0	0	0	0	0	1,782	
Officers Costs	2,511	0	0	0	0	0	0	0	2,511	
Drug Control Fines	1,539	0	1,180	0	0	0	0	0	2,719	
Drug Court Fees	91	0	0	0	0	0	0	0	91	
DUI Treatment Fines	190	0	0	0	0	0	0	0	190	
Data Entry Fee - Circuit Court	706	0	0	0	0	0	0	0	706	
Criminal Court										
Jail Fees	435	0	0	0	0	0	0	0	435	

(Continued)

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General	Debt Service	General	Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>General Sessions Court</u>										
Fines	\$ 18,336	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,336
Officers Costs	12,825	0	0	0	0	0	0	0	0	12,825
Game and Fish Fines	79	0	0	0	0	0	0	0	0	79
Drug Control Fines	6,095	0	6,017	0	0	0	0	0	0	12,112
Drug Court Fees	2,717	0	0	0	0	0	0	0	0	2,717
Jail Fees	11,712	0	0	0	0	0	0	0	0	11,712
District Attorney General Fees	44	0	0	0	0	0	0	0	0	44
DUI Treatment Fines	3,161	0	0	0	0	0	0	0	0	3,161
Data Entry Fee - General Sessions Court	1,451	0	0	0	0	0	0	0	0	1,451
<u>Juvenile Court</u>										
Fines	209	0	0	0	0	0	0	0	0	209
Officers Costs	893	0	0	0	0	0	0	0	0	893
Data Entry Fee - Juvenile Court	406	0	0	0	0	0	0	0	0	406
<u>Chancery Court</u>										
Officers Costs	416	0	0	0	0	0	0	0	0	416
Data Entry Fee - Chancery Court	364	0	0	0	0	0	0	0	0	364
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	56	0	0	0	0	0	0	0	0	56
Total Fines, Forfeitures, and Penalties	\$ 66,018	\$ 0	\$ 7,197	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,215
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Tipping Fees	\$ 0	\$ 35	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35
Patient Charges	876,042	0	0	0	0	0	0	0	0	876,042
Work Release Charges for Board	1,070	0	0	0	0	0	0	0	0	1,070
Other General Service Charges	20,829	0	0	0	0	0	0	0	0	20,829
<u>Fees</u>										
Copy Fees	423	0	0	0	0	0	0	0	0	423
Telephone Commissions	10,998	0	0	0	0	0	0	0	0	10,998
Data Processing Fee - Register	2,022	0	0	0	0	0	0	0	0	2,022
Sexual Offender Registration Fees - Sheriff	450	0	0	0	0	0	0	0	0	450
Total Charges for Current Services	\$ 911,834	\$ 35	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 911,869
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,615	\$ 0	\$ 0	\$ 0	\$ 19,615

(Continued)

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General	Debt Service	General	Capital Projects	
<u>Other Local Revenues (Cont.)</u>									
<u>Recurring Items (Cont.)</u>									
Lease/Rentals	\$ 770	\$ 0	\$ 0	\$ 0	\$ 21,300	\$ 0	\$ 0	\$ 0	\$ 22,070
Sale of Materials and Supplies	0	0	0	50,879	0	0	0	0	50,879
Commissary Sales	85,675	0	0	0	0	0	0	0	85,675
Sale of Recycled Materials	0	4,657	0	0	0	0	0	0	4,657
Miscellaneous Refunds	28,359	1,348	0	20,784	0	0	0	0	50,491
<u>Nonrecurring Items</u>									
Damages Recovered from Individuals	0	0	0	8,056	0	0	0	0	8,056
Total Other Local Revenues	\$ 114,804	\$ 6,005	\$ 0	\$ 79,719	\$ 40,915	\$ 0	\$ 0	\$ 0	\$ 241,443
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of-Salary</u>									
County Clerk	\$ 48,264	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,264
Circuit Court Clerk	40,408	0	0	0	0	0	0	0	40,408
General Sessions Court Clerk	37,778	0	0	0	0	0	0	0	37,778
Clerk and Master	27,914	0	0	0	0	0	0	0	27,914
Juvenile Court Clerk	3,222	0	0	0	0	0	0	0	3,222
Register	19,836	0	0	0	0	0	0	0	19,836
Sheriff	925	0	0	0	0	0	0	0	925
Trustee	88,936	0	0	0	0	0	0	0	88,936
Total Fees Received from County Officials	\$ 267,283	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 267,283
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	5,400
Drug Control Grants	12,705	0	0	0	0	0	0	0	12,705
<u>Public Works Grants</u>									
Litter Program	46,401	0	0	0	0	0	0	0	46,401
Other Public Works Grants	0	0	0	0	0	0	368,719	0	368,719
<u>Other State Revenues</u>									
Income Tax	4,381	957	0	0	0	0	264	0	5,602
Beer Tax	18,586	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	25,533	0	0	0	0	0	0	0	25,533
State Revenue Sharing - T.V.A.	264,528	0	0	0	0	0	0	0	264,528
Emergency Hospital - Prisoners	159,502	0	0	0	0	0	0	0	159,502

(Continued)

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Fund		
							General	Capital Projects	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Contracted Prisoner Boarding	\$ 827,025	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 827,025	
Gasoline and Motor Fuel Tax	0	0	0	1,253,369	0	0	0	1,253,369	
Petroleum Special Tax	0	0	0	4,876	0	0	0	4,876	
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164	
Other State Grants	27,675	0	0	0	0	0	0	27,675	
Total State of Tennessee	\$ 1,415,900	\$ 957	\$ 0	\$ 1,258,245	\$ 264	\$ 368,719	\$ 0	\$ 3,044,085	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,861	\$ 0	\$ 47,861	
Homeland Security Grants	76,889	0	0	0	0	0	0	76,889	
Other Federal through State	170,499	0	0	0	0	966,896	0	1,137,395	
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	21,917	0	0	0	0	0	0	21,917	
Total Federal Government	\$ 269,305	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,014,757	\$ 0	\$ 1,284,062	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 86,487	\$ 0	\$ 0	\$ 0	\$ 591,874	\$ 0	\$ 0	\$ 678,361	
Contracted Services	184,688	0	0	0	0	0	0	184,688	
<u>Other</u>									
Other	1,200	0	0	0	538,815	0	0	540,015	
Total Other Governments and Citizens Groups	\$ 272,375	\$ 0	\$ 0	\$ 0	\$ 1,130,689	\$ 0	\$ 0	\$ 1,403,064	
<u>Total</u>	\$ 4,698,253	\$ 253,085	\$ 7,197	\$ 1,337,964	\$ 1,259,981	\$ 1,383,476	\$ 0	\$ 8,939,956	

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, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 579,475	\$ 0	\$ 0	\$ 579,475
Trustee's Collections - Prior Year	20,058	0	0	20,058
Circuit/Clerk & Master Collections - Prior Years	27,533	0	0	27,533
Interest and Penalty	3,790	0	0	3,790
Pick-up Taxes	10	0	0	10
Payments in-Lieu-of Taxes - T.V.A.	10	0	0	10
<u>County Local Option Taxes</u>				
Local Option Sales Tax	214,576	0	0	214,576
Wheel Tax	61,132	0	0	61,132
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	1,923	0	0	1,923
Interstate Telecommunications Tax	555	0	0	555
Total Local Taxes	\$ 909,062	\$ 0	\$ 0	\$ 909,062
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 437	\$ 0	\$ 0	\$ 437
Total Licenses and Permits	\$ 437	\$ 0	\$ 0	\$ 437
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 100,138	\$ 100,138
Total Charges for Current Services	\$ 0	\$ 0	\$ 100,138	\$ 100,138
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 636	\$ 636
Lease/Rentals	300	0	0	300
Refund of Telecommunication & Internet Fees (E-Rate)	19,631	0	0	19,631
Miscellaneous Refunds	9,274	0	0	9,274
<u>Nonrecurring Items</u>				
Sale of Equipment	12,050	0	0	12,050
Damages Recovered from Individuals	100	0	0	100
Contributions and Gifts	36,864	0	0	36,864
<u>Other Local Revenues</u>				
Other Local Revenues	62	0	0	62
Total Other Local Revenues	\$ 78,281	\$ 0	\$ 636	\$ 78,917
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 31,739	\$ 0	\$ 0	\$ 31,739
<u>State Education Funds</u>				
Basic Education Program	6,022,204	0	0	6,022,204
Early Childhood Education	655,609	0	0	655,609
School Food Service	0	0	6,313	6,313
Other State Education Funds	136,202	0	0	136,202
Career Ladder Program	56,806	0	0	56,806
Career Ladder - Extended Contract	20,100	0	0	20,100
<u>Other State Revenues</u>				
Income Tax	1,577	0	0	1,577
Other State Revenues	49,609	0	0	49,609
Total State of Tennessee	\$ 6,973,846	\$ 0	\$ 6,313	\$ 6,980,159

(Continued)

Exhibit K-7

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 334,225	\$ 334,225
USDA - Commodities	0	0	25,440	25,440
Breakfast	0	0	148,167	148,167
USDA - Other	0	0	11,865	11,865
Adult Education State Grant Program	17,455	0	0	17,455
Vocational Education - Basic Grants to States	0	24,147	0	24,147
Title I Grants to Local Education Agencies	0	738,952	0	738,952
Special Education - Grants to States	0	248,466	0	248,466
Special Education Preschool Grants	0	5,586	0	5,586
Rural Education	0	19,323	0	19,323
Eisenhower Professional Development State Grants	0	87,261	0	87,261
Race-to-the-Top - ARRA	0	146,249	0	146,249
Total Federal Government	\$ 17,455	\$ 1,269,984	\$ 519,697	\$ 1,807,136
Total	\$ 7,979,081	\$ 1,269,984	\$ 626,784	\$ 9,875,849

Exhibit K-8

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 43,679	
Social Security	2,547	
Employee and Dependent Insurance	8,623	
Unemployment Compensation	83	
Employer Medicare	596	
Audit Services	11,496	
Contributions	9,856	
Dues and Memberships	4,404	
Legal Services	27	
Legal Notices, Recording, and Court Costs	2,300	
Premiums on Corporate Surety Bonds	700	
Other Charges	1,242	
Total County Commission		\$ 85,553

Board of Equalization

Board and Committee Members Fees	\$ 1,300	
Total Board of Equalization		1,300

County Mayor/Executive

County Official/Administrative Officer	\$ 66,741	
Secretary(ies)	12,475	
Clerical Personnel	4,153	
Social Security	5,184	
State Retirement	4,834	
Employee and Dependent Insurance	2,222	
Unemployment Compensation	170	
Employer Medicare	1,212	
Communication	4,851	
Data Processing Services	3,916	
Dues and Memberships	275	
Maintenance and Repair Services - Office Equipment	296	
Postal Charges	9,344	
Travel	1,125	
Office Supplies	2,664	
Premiums on Corporate Surety Bonds	285	
Vehicle and Equipment Insurance	476	
Office Equipment	60	
Total County Mayor/Executive		120,283

County Attorney

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

Election Commission

County Official/Administrative Officer	\$ 47,777	
Other Salaries and Wages	2,455	
Election Commission	7,624	
Election Workers	10,262	
Social Security	3,435	
State Retirement	724	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Unemployment Compensation	\$	36	
Employer Medicare		803	
Communication		2,274	
Data Processing Services		8,115	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		1,794	
Maintenance and Repair Services - Equipment		108	
Postal Charges		688	
Printing, Stationery, and Forms		573	
Rentals		2,500	
Travel		1,352	
Other Contracted Services		1,740	
Data Processing Supplies		734	
Office Supplies		500	
Total Election Commission			\$ 93,669

Register of Deeds

County Official/Administrative Officer	\$	53,239	
Clerical Personnel		18,902	
Social Security		4,463	
State Retirement		3,859	
Employee and Dependent Insurance		6,079	
Unemployment Compensation		130	
Employer Medicare		1,044	
Communication		2,321	
Data Processing Services		2,047	
Dues and Memberships		492	
Operating Lease Payments		2,991	
Travel		1,665	
Office Supplies		955	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			98,287

County Buildings

Supervisor/Director	\$	7,421	
Custodial Personnel		23,091	
Social Security		1,892	
Employee and Dependent Insurance		4,065	
Unemployment Compensation		399	
Employer Medicare		442	
Contributions		20,000	
Maintenance and Repair Services - Buildings		18,070	
Other Contracted Services		14,118	
Custodial Supplies		5,879	
Electricity		42,455	
Water and Sewer		10,685	
Other Supplies and Materials		6,189	
Motor Vehicles		3,718	
Total County Buildings			158,424

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance

Purchasing

Data Processing Personnel	\$ 56,151	
Social Security	3,450	
Employee and Dependent Insurance	48	
Unemployment Compensation	299	
Employer Medicare	807	
Operating Lease Payments	2,991	
Office Supplies	564	
Total Purchasing		\$ 64,310

Property Assessor's Office

County Official/Administrative Officer	\$ 53,239	
Clerical Personnel	23,925	
Social Security	4,775	
State Retirement	3,859	
Employee and Dependent Insurance	6,079	
Unemployment Compensation	140	
Employer Medicare	1,117	
Audit Services	500	
Communication	1,137	
Data Processing Services	6,766	
Legal Notices, Recording, and Court Costs	130	
Travel	362	
Office Supplies	527	
Premiums on Corporate Surety Bonds	292	
Total Property Assessor's Office		102,848

Reappraisal Program

Clerical Personnel	\$ 18,700	
Social Security	1,159	
Employee and Dependent Insurance	3,139	
Unemployment Compensation	140	
Employer Medicare	271	
Maintenance and Repair Services - Vehicles	346	
Premiums on Corporate Surety Bonds	100	
Vehicle and Equipment Insurance	624	
Total Reappraisal Program		24,479

County Trustee's Office

County Official/Administrative Officer	\$ 53,239	
Clerical Personnel	31,674	
Social Security	5,255	
State Retirement	3,859	
Employee and Dependent Insurance	7,160	
Employer Medicare	1,229	
Communication	3,504	
Data Processing Services	8,500	
Dues and Memberships	337	
Operating Lease Payments	2,275	
Legal Notices, Recording, and Court Costs	298	
Travel	1,089	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$ 1,003	
Premiums on Corporate Surety Bonds	100	
Office Equipment	62	
Total County Trustee's Office		\$ 119,584

County Clerk's Office

County Official/Administrative Officer	\$ 53,239	
Clerical Personnel	42,700	
Social Security	5,939	
State Retirement	3,859	
Employee and Dependent Insurance	3,065	
Unemployment Compensation	280	
Employer Medicare	1,389	
Communication	2,136	
Data Processing Services	3,890	
Dues and Memberships	437	
Operating Lease Payments	2,068	
Travel	404	
Office Supplies	2,313	
Premiums on Corporate Surety Bonds	200	
Office Equipment	110	
Total County Clerk's Office		122,029

Other Finance

Trustee's Commission	\$ 37,209	
Total Other Finance		37,209

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 53,239	
Clerical Personnel	39,112	
Jury and Witness Expense	7,452	
Social Security	5,716	
State Retirement	3,859	
Employee and Dependent Insurance	9,045	
Unemployment Compensation	250	
Employer Medicare	1,337	
Communication	2,827	
Dues and Memberships	337	
Operating Lease Payments	2,991	
Legal Notices, Recording, and Court Costs	15	
Office Supplies	4,119	
Premiums on Corporate Surety Bonds	300	
Total Circuit Court		130,599

General Sessions Court

Judge(s)	\$ 65,276	
Social Security	4,047	
State Retirement	4,746	
Employer Medicare	946	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Dues and Memberships	\$ 100	
Travel	2,085	
Total General Sessions Court		\$ 77,200

Drug Court

Other Charges	\$ 2,808	
Total Drug Court		2,808

Chancery Court

County Official/Administrative Officer	\$ 53,239	
Clerical Personnel	19,902	
Jury and Witness Expense	887	
Social Security	4,525	
State Retirement	3,859	
Employee and Dependent Insurance	3,065	
Unemployment Compensation	140	
Employer Medicare	1,058	
Communication	2,944	
Data Processing Services	3,764	
Dues and Memberships	467	
Operating Lease Payments	550	
Travel	2,184	
Office Supplies	1,081	
Premiums on Corporate Surety Bonds	234	
Office Equipment	4,535	
Total Chancery Court		102,434

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 63,563	
Deputy(ies)	230,093	
Investigator(s)	63,982	
In-Service Training	5,355	
Social Security	22,360	
State Retirement	4,657	
Employee and Dependent Insurance	25,904	
Unemployment Compensation	2,224	
Employer Medicare	5,290	
Dues and Memberships	1,100	
Maintenance Agreements	1,280	
Maintenance and Repair Services - Vehicles	12,194	
Gasoline	47,686	
Law Enforcement Supplies	3,491	
Tires and Tubes	3,530	
Uniforms	4,158	
Liability Insurance	29,964	
Premiums on Corporate Surety Bonds	3,000	
Vehicle and Equipment Insurance	29,594	
Motor Vehicles	5,360	
Total Sheriff's Department		564,785

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Accountants/Bookkeepers	\$ 23,570	
Dispatchers/Radio Operators	89,537	
Guards	248,788	
Clerical Personnel	23,065	
Cafeteria Personnel	21,442	
Social Security	25,197	
Employee and Dependent Insurance	32,602	
Unemployment Compensation	3,443	
Employer Medicare	5,832	
Communication	22,002	
Operating Lease Payments	4,275	
Legal Notices, Recording, and Court Costs	596	
Maintenance and Repair Services - Buildings	160	
Medical and Dental Services	244,591	
Postal Charges	2,318	
Travel	3,753	
Other Contracted Services	12,176	
Custodial Supplies	16,621	
Drugs and Medical Supplies	386	
Electricity	60,615	
Food Preparation Supplies	4,544	
Food Supplies	170,795	
Gasoline	126	
General Construction Materials	1,023	
Office Supplies	5,528	
Water and Sewer	52,532	
Other Supplies and Materials	16,345	
Specialized Medical Treatment	92,450	
Total Jail		\$ 1,184,312

Juvenile Services

Youth Service Officer(s)	\$ 11,102	
Social Security	688	
Unemployment Compensation	142	
Employer Medicare	161	
Communication	1,131	
Contracts with Other Public Agencies	240	
Dues and Memberships	275	
Travel	671	
Total Juvenile Services		14,410

Commissary

Office Supplies	\$ 442	
Other Supplies and Materials	36,533	
Total Commissary		36,975

Civil Defense

Other Salaries and Wages	\$ 6,918	
Social Security	429	
Unemployment Compensation	138	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Employer Medicare	\$ 100	
Communication	73,970	
Diesel Fuel	44	
Office Supplies	796	
Other Supplies and Materials	53,096	
Vehicle and Equipment Insurance	21,004	
Total Civil Defense		\$ 156,495

Rescue Squad

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

County Coroner/Medical Examiner

Other Contracted Services	\$ 31,526	
Total County Coroner/Medical Examiner		31,526

Other Public Safety

Road Signs	\$ 2,524	
Total Other Public Safety		2,524

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 9,252	
Social Security	574	
Unemployment Compensation	140	
Employer Medicare	134	
Communication	3,790	
Maintenance Agreements	981	
Maintenance and Repair Services - Buildings	8,364	
Maintenance and Repair Services - Equipment	681	
Pest Control	342	
Postal Charges	1,363	
Custodial Supplies	3,510	
Drugs and Medical Supplies	402	
Electricity	16,417	
Office Supplies	1,168	
Water and Sewer	2,068	
Other Supplies and Materials	593	
Building and Contents Insurance	1,675	
Other Charges	1,989	
Office Equipment	2,577	
Other Equipment	3,641	
Total Local Health Center		59,661

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 34,145	
Medical Personnel	303,896	
Clerical Personnel	106	
Part-time Personnel	96,295	
Board and Committee Members Fees	800	

(Continued)

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.)

In-Service Training	\$ 745	
Social Security	26,343	
Employee and Dependent Insurance	27,824	
Unemployment Compensation	2,754	
Employer Medicare	6,161	
Communication	4,643	
Data Processing Services	52,473	
Dues and Memberships	830	
Operating Lease Payments	435	
Legal Notices, Recording, and Court Costs	65	
Licenses	2,000	
Maintenance and Repair Services - Buildings	1,824	
Maintenance and Repair Services - Vehicles	67,891	
Medical and Dental Services	959	
Travel	154	
Disposal Fees	6,367	
Other Contracted Services	3,106	
Custodial Supplies	1,876	
Diesel Fuel	51,319	
Drugs and Medical Supplies	27,259	
Electricity	1,678	
Office Supplies	235	
Propane Gas	3,152	
Tires and Tubes	5,246	
Uniforms	3,220	
Water and Sewer	1,227	
Other Supplies and Materials	3,440	
Refunds	1,091	
Vehicle and Equipment Insurance	24,888	
Other Charges	596	
Communication Equipment	517	
Motor Vehicles	93,529	
Total Ambulance/Emergency Medical Services		\$ 859,089

Alcohol and Drug Programs

Clerical Personnel	\$ 17,835	
Communication	1,776	
Travel	1,304	
Other Supplies and Materials	172	
Other Charges	200	
Total Alcohol and Drug Programs		21,287

Crippled Children Services

Contributions	\$ 415	
Total Crippled Children Services		415

Other Local Health Services

Part-time Personnel	\$ 14,806	
Social Security	918	
Unemployment Compensation	200	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Employer Medicare	\$ 215	
Travel	596	
Total Other Local Health Services		\$ 16,735

Sanitation Management

Guards	\$ 27,821	
Clerical Personnel	2,400	
Social Security	1,874	
Unemployment Compensation	152	
Employer Medicare	438	
Gasoline	1,209	
Other Supplies and Materials	5,823	
Total Sanitation Management		39,717

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 9,146	
Total Senior Citizens Assistance		9,146

Libraries

Assistant(s)	\$ 15,330	
Librarians	20,178	
Part-time Personnel	106	
Social Security	2,208	
Employee and Dependent Insurance	3,065	
Unemployment Compensation	280	
Employer Medicare	516	
Communication	108	
Contributions	15,600	
Total Libraries		57,391

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$ 2,023	
Dues and Memberships	355	
Rentals	6,000	
Other Contracted Services	22,688	
Custodial Supplies	209	
Electricity	1,176	
Office Supplies	228	
Water and Sewer	1,053	
Office Equipment	1,072	
Total Agriculture Extension Service		34,804

Soil Conservation

Communication	\$ 948	
Contributions	13,440	
Rentals	1,920	
Electricity	603	
Total Soil Conservation		16,911

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations

Public Transportation

Supervisor/Director	\$ 26,374	
Bus Drivers	161,547	
Social Security	11,651	
Employee and Dependent Insurance	18,425	
Unemployment Compensation	1,655	
Employer Medicare	2,725	
Communication	2,249	
Dues and Memberships	2,000	
Legal Notices, Recording, and Court Costs	509	
Maintenance and Repair Services - Vehicles	10,396	
Other Contracted Services	300	
Gasoline	50,459	
Office Supplies	1,701	
Tires and Tubes	5,504	
Vehicle and Equipment Insurance	24,341	
Other Charges	<u>1,357</u>	
Total Public Transportation		\$ 321,193

Veterans' Services

Other Salaries and Wages	\$ 6,373	
Social Security	395	
Unemployment Compensation	127	
Employer Medicare	92	
Communication	2,882	
Travel	<u>1,207</u>	
Total Veterans' Services		11,076

Principal on Debt

General Government

Principal on Notes	\$ 29,167	
Principal on Capital Leases	<u>35,960</u>	
Total General Government		65,127

Interest on Debt

General Government

Interest on Notes	\$ 2,720	
Interest on Capital Leases	<u>1,378</u>	
Total General Government		<u>4,098</u>

Total General Fund \$ 4,865,294

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 19,804
Truck Drivers	43,553
Other Salaries and Wages	40,965
Social Security	6,468
Employee and Dependent Insurance	8,940
Unemployment Compensation	1,078

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Employer Medicare	\$ 1,513	
Communication	1,260	
Contracts with Private Agencies	99,634	
Maintenance and Repair Services - Equipment	4,154	
Other Contracted Services	4,763	
Crushed Stone	510	
Diesel Fuel	27,338	
Electricity	1,453	
Tires and Tubes	7,680	
Vehicle Parts	295	
Other Supplies and Materials	12,572	
Trustee's Commission	5,002	
Vehicle and Equipment Insurance	4,694	
Other Charges	1,115	
Total Sanitation Management		\$ 292,791

Total Solid Waste/Sanitation Fund \$ 292,791

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$ 69	
Other Charges	169	
Total Drug Enforcement		\$ 238

Total Drug Control Fund 238

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 58,563	
Accountants/Bookkeepers	25,000	
Laborers	301,310	
Overtime Pay	18,212	
Data Processing Services	5,404	
Office Supplies	1,720	
Utilities	12,869	
Total Administration		\$ 423,078

Highway and Bridge Maintenance

Contracts with Private Agencies	\$ 62,137	
Asphalt - Hot Mix	436,968	
Crushed Stone	115,733	
Pipe - Metal	10,900	
Other Supplies and Materials	17,088	
Total Highway and Bridge Maintenance		642,826

Operation and Maintenance of Equipment

Diesel Fuel	\$ 82,940	
Equipment and Machinery Parts	27,917	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Gasoline	\$ 28,197	
Lubricants	2,717	
Tires and Tubes	11,301	
Total Operation and Maintenance of Equipment		\$ 153,072

Other Charges

Dues and Memberships	\$ 1,952	
Licenses	402	
Trustee's Commission	12,659	
Vehicle and Equipment Insurance	47,494	
Other Charges	5,673	
Total Other Charges		68,180

Employee Benefits

Social Security	\$ 25,027	
State Retirement	4,258	
Life Insurance	11,081	
Medical Insurance	33,710	
Unemployment Compensation	3,175	
Employer Medicare	5,853	
Other Fringe Benefits	8,397	
Workers' Compensation Insurance	40,686	
Total Employee Benefits		132,187

Capital Outlay

Operating Lease Payments	\$ 2,316	
Highway Equipment	10,450	
Total Capital Outlay		12,766

Total Highway/Public Works Fund \$ 1,432,109

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 271,584	
Principal on Notes	33,000	
Principal on Other Loans	28,458	
Total General Government		\$ 333,042

Education

Principal on Notes	\$ 54,294	
Principal on Other Loans	425,542	
Total Education		479,836

Interest on Debt

General Government

Interest on Bonds	\$ 234,618	
Interest on Notes	3,300	
Interest on Other Loans	1,865	
Total General Government		239,783

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Notes	\$ 3,873	
Interest on Other Loans	<u>39,498</u>	
Total Education		\$ 43,371
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 1,762	
Other Debt Service	<u>7,326</u>	
Total General Government		9,088
<u>Education</u>		
Other Debt Service	\$ <u>97,501</u>	
Total Education		<u>97,501</u>
Total General Debt Service Fund		\$ 1,202,621
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Health and Welfare Projects</u>		
Building Construction	\$ <u>1,000</u>	
Total Public Health and Welfare Projects		\$ 1,000
<u>Public Utility Projects</u>		
Other Construction	\$ <u>47,861</u>	
Total Public Utility Projects		47,861
<u>Other General Government Projects</u>		
Other Contracted Services	\$ 555,832	
Site Development	<u>737,651</u>	
Total Other General Government Projects		<u>1,293,483</u>
Total General Capital Projects Fund		<u>1,342,344</u>
Total Governmental Funds - Primary Government		<u>\$ 9,135,397</u>

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, 2013

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$	2,331,711	
Career Ladder Program		29,375	
Career Ladder Extended Contracts		23,000	
Homebound Teachers		15,460	
Certified Substitute Teachers		8,545	
Non-certified Substitute Teachers		40,374	
Social Security		147,277	
State Retirement		210,632	
Medical Insurance		151,716	
Employer Medicare		34,459	
Other Contracted Services		10,619	
Instructional Supplies and Materials		3,106	
Textbooks		63,628	
Total Regular Instruction Program			\$ 3,069,902

Alternative Instruction Program

Teachers	\$	45,025	
Social Security		2,552	
State Retirement		3,998	
Medical Insurance		6,481	
Employer Medicare		597	
Total Alternative Instruction Program			58,653

Special Education Program

Teachers	\$	377,659	
Career Ladder Program		5,000	
Educational Assistants		95,164	
Certified Substitute Teachers		508	
Non-certified Substitute Teachers		6,496	
Social Security		28,867	
State Retirement		33,847	
Medical Insurance		34,605	
Unemployment Compensation		1,805	
Employer Medicare		6,751	
Other Contracted Services		20,582	
Other Supplies and Materials		2,348	
Total Special Education Program			613,632

Vocational Education Program

Teachers	\$	259,854	
Career Ladder Program		6,000	
Non-certified Substitute Teachers		2,208	
Social Security		15,186	
State Retirement		23,608	
Medical Insurance		33,386	
Employer Medicare		3,552	
Total Vocational Education Program			343,794

(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.)

Adult Education Program

Teachers	\$	8,730	
Other Salaries and Wages		9,560	
Social Security		1,120	
State Retirement		311	
Unemployment Compensation		18	
Employer Medicare		262	
Total Adult Education Program			\$ 20,001

Support Services

Attendance

Supervisor/Director	\$	18,011	
Other Salaries and Wages		52,518	
Social Security		4,359	
State Retirement		1,599	
Medical Insurance		508	
Employer Medicare		1,019	
Travel		2,537	
Total Attendance			80,551

Health Services

Other Salaries and Wages	\$	72,924	
Social Security		4,263	
State Retirement		5,090	
Medical Insurance		7,415	
Unemployment Compensation		190	
Employer Medicare		997	
Travel		1,350	
Other Contracted Services		280	
Other Supplies and Materials		6,157	
Other Charges		4,899	
Total Health Services			103,565

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		102,522	
School Resource Officer		38,829	
Other Salaries and Wages		74,828	
Social Security		12,918	
State Retirement		9,282	
Medical Insurance		6,680	
Employer Medicare		3,098	
Travel		2,137	
Other Charges		114	
Total Other Student Support			252,408

Regular Instruction Program

Supervisor/Director	\$	28,626	
Career Ladder Program		1,000	
Librarians		86,335	

(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.)

Materials Supervisor	\$	48,306	
Instructional Computer Personnel		55,044	
Other Salaries and Wages		34,556	
Social Security		15,575	
State Retirement		14,587	
Medical Insurance		2,499	
Employer Medicare		3,652	
Maintenance and Repair Services - Equipment		15,145	
Travel		4,000	
Other Contracted Services		16,904	
Other Supplies and Materials		4,646	
In Service/Staff Development		3,474	
Other Charges		14,000	
Total Regular Instruction Program			\$ 348,349

Special Education Program

Supervisor/Director	\$	40,222	
Career Ladder Program		635	
Social Security		2,476	
State Retirement		2,577	
Medical Insurance		1,901	
Unemployment Compensation		95	
Employer Medicare		579	
Travel		5,619	
Total Special Education Program			54,104

Vocational Education Program

Supervisor/Director	\$	10,052	
Career Ladder Program		165	
Social Security		607	
State Retirement		893	
Medical Insurance		1,017	
Employer Medicare		142	
Travel		653	
Total Vocational Education Program			13,529

Adult Programs

Supervisor/Director	\$	18,010	
Social Security		1,118	
State Retirement		1,600	
Employer Medicare		262	
Other Supplies and Materials		1,825	
In Service/Staff Development		2,815	
Total Adult Programs			25,630

Other Programs

On-Behalf Payments to OPEB	\$	31,739	
Total Other Programs			31,739

(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

Secretary to Board	\$	1,100	
Board and Committee Members Fees		7,300	
Social Security		452	
Medical Insurance		6	
Unemployment Compensation		8,225	
Employer Medicare		122	
Audit Services		5,800	
Dues and Memberships		8,021	
Travel		10,024	
Judgments		7,950	
Liability Insurance		62,923	
Trustee's Commission		30,609	
Workers' Compensation Insurance		36,592	
Other Charges		14,799	
Total Board of Education			\$ 193,923

Director of Schools

County Official/Administrative Officer	\$	79,028	
Career Ladder Program		1,000	
Social Security		4,979	
State Retirement		7,107	
Medical Insurance		4,438	
Employer Medicare		1,164	
Other Fringe Benefits		1,375	
Communication		13,674	
Postal Charges		1,301	
Travel		4,154	
Administration Equipment		1,474	
Total Director of Schools			119,694

Office of the Principal

Principals	\$	128,496	
Career Ladder Program		3,000	
Assistant Principals		57,324	
Secretary(ies)		43,399	
Social Security		13,398	
State Retirement		16,767	
Medical Insurance		21,110	
Employer Medicare		3,133	
Travel		328	
Total Office of the Principal			286,955

Fiscal Services

Accountants/Bookkeepers	\$	64,546	
Social Security		3,675	
Medical Insurance		3,560	
Employer Medicare		859	
Travel		1,274	
Other Contracted Services		7,655	
Other Supplies and Materials		3,740	
Total Fiscal Services			85,309

(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

Custodial Personnel	\$	136,884	
Other Salaries and Wages		24,000	
Social Security		9,990	
Employer Medicare		2,336	
Maintenance and Repair Services - Equipment		7,966	
Disposal Fees		4,096	
Other Contracted Services		5,357	
Custodial Supplies		11,880	
Electricity		303,403	
Natural Gas		21,349	
Water and Sewer		21,277	
Total Operation of Plant	\$		548,538

Maintenance of Plant

Supervisor/Director	\$	15,274	
Social Security		1,007	
Employer Medicare		235	
Maintenance and Repair Services - Buildings		22,948	
Maintenance and Repair Services - Equipment		55,912	
Total Maintenance of Plant			95,376

Transportation

Supervisor/Director	\$	21,600	
Mechanic(s)		10,723	
Bus Drivers		177,158	
Other Salaries and Wages		18,009	
Social Security		13,622	
State Retirement		1,598	
Medical Insurance		6,716	
Employer Medicare		3,288	
Maintenance and Repair Services - Vehicles		70,631	
Diesel Fuel		72,598	
Gasoline		52,867	
Tires and Tubes		8,336	
Other Charges		3,959	
Total Transportation			461,105

Central and Other

Other Salaries and Wages	\$	13,845	
Social Security		858	
Unemployment Compensation		95	
Employer Medicare		201	
Other Supplies and Materials		5,001	
Total Central and Other			20,000

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	25,250	
Other Salaries and Wages		56,362	

(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.)

Social Security	\$	5,018	
State Retirement		2,242	
Employer Medicare		1,174	
Other Supplies and Materials		10,897	
Total Community Services			\$ 100,943

Early Childhood Education

Other Salaries and Wages	\$	514,329	
Social Security		30,977	
State Retirement		29,834	
Medical Insurance		14,334	
Unemployment Compensation		1,894	
Employer Medicare		7,245	
Maintenance and Repair Services - Equipment		525	
Other Supplies and Materials		50,354	
In Service/Staff Development		7,187	
Other Charges		500	
Total Early Childhood Education			657,179

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	812	
Total Regular Capital Outlay			812

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	586,917	
Total Education			586,917

Total General Purpose School Fund \$ 8,172,608

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	112,756	
Educational Assistants		54,559	
Other Salaries and Wages		218,499	
Certified Substitute Teachers		1,193	
Non-certified Substitute Teachers		10,429	
Social Security		23,693	
State Retirement		29,416	
Medical Insurance		12,857	
Unemployment Compensation		1,195	
Employer Medicare		5,541	
Instructional Supplies and Materials		18,269	
Regular Instruction Equipment		14,151	
Total Regular Instruction Program			\$ 502,558

(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.)

Special Education Program

Educational Assistants	\$	160,443	
Social Security		9,260	
Unemployment Compensation		1,330	
Employer Medicare		2,316	
Other Contracted Services		7,263	
Other Supplies and Materials		14,895	
Total Special Education Program	\$		195,507

Vocational Education Program

Educational Assistants	\$	10,360	
Social Security		625	
Unemployment Compensation		95	
Employer Medicare		146	
Other Contracted Services		700	
Vocational Instruction Equipment		7,494	
Total Vocational Education Program			19,420

Support Services

Other Student Support

Other Salaries and Wages	\$	8,347	
Social Security		518	
State Retirement		741	
Employer Medicare		121	
Maintenance and Repair Services - Equipment		1,365	
Travel		14,299	
Other Contracted Services		29,126	
In Service/Staff Development		1,700	
Other Charges		14,043	
Total Other Student Support			70,260

Regular Instruction Program

Supervisor/Director	\$	28,656	
Secretary(ies)		18,199	
Other Salaries and Wages		171,714	
Social Security		13,109	
State Retirement		17,793	
Medical Insurance		6,595	
Unemployment Compensation		501	
Employer Medicare		3,066	
Maintenance and Repair Services - Equipment		1,400	
Postal Charges		135	
Travel		6,411	
Library Books/Media		73,525	
Other Supplies and Materials		10,175	
In Service/Staff Development		47,020	
Other Charges		1,368	
Other Equipment		26,478	
Total Regular Instruction Program			426,145

(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	\$ 17,679	
Total Special Education Program		\$ 17,679

Vocational Education Program

Travel	\$ 1,000	
Total Vocational Education Program		1,000

Transportation

Bus Drivers	\$ 16,283	
Social Security	1,010	
Unemployment Compensation	190	
Employer Medicare	236	
Diesel Fuel	700	
Gasoline	700	
Total Transportation		<u>19,119</u>

Total School Federal Projects Fund		\$ 1,251,688
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 50,358	
Cafeteria Personnel	162,165	
Social Security	13,093	
State Retirement	4,472	
Unemployment Compensation	2,100	
Employer Medicare	3,062	
Maintenance and Repair Services - Equipment	24,668	
Travel	913	
Other Contracted Services	5,685	
Food Supplies	412,118	
USDA - Commodities	25,440	
Other Supplies and Materials	8,508	
In Service/Staff Development	783	
Other Charges	1,338	
Food Service Equipment	320	
Total Food Service		<u>\$ 715,023</u>

Total Central Cafeteria Fund		<u>715,023</u>
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Total Governmental Funds - Hancock County School Department		<u>\$ 10,139,319</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, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 162,700
Total Cash Receipts	<u>\$ 162,700</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 161,073
Trustee's Commission	<u>1,627</u>
Total Cash Disbursements	<u>\$ 162,700</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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, 2013, 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 16, 2013.

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.

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

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

prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2013-005.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-001(A), 2013-002, 2013-004, and 2013-007.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001(B,C), 2013-003, and 2013-006.

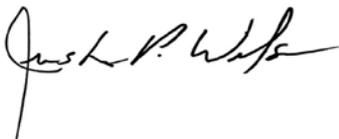
Hancock County's Response to Findings

Hancock County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Hancock County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 16, 2013

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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NASHVILLE, TENNESSEE 37243-1402
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**Report on Compliance for Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditor's Report

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 Circular A-133 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, 2013. 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 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, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133. However, the results of our auditing procedures disclosed an instance of noncompliance involving questioned costs of less than \$10,000 for the Homeland Security Grant Program (CFDA No. 97.067), a nonmajor federal program, which is described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001(C) and 2013-008. Our opinion on each major federal program is not modified with respect to these matters.

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.

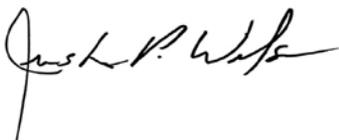
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2013, and the related notes to the financial statements, which collectively comprise Hancock County's basic financial statements. We issued our report thereon dated September 16, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 16, 2013

JPW/yu

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	(2)	\$ 11,917
Rural Business Enterprise Grants	10.769	(2)	467,421
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	148,167
National School Lunch Program	10.555	N/A	346,090 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	<u>25,440 (3)</u>
Total U.S. Department of Agriculture			<u>\$ 999,035</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	<u>\$ 47,861</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 47,861</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	(2)	<u>\$ 170,499</u>
Total U.S. Department of Transportation			<u>\$ 170,499</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 724,743
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	239,952
Special Education - Preschool Grants	84.173	N/A	6,874
Career and Technical Education - Basic Grants to States	84.048	N/A	24,147
Education Technology Cluster:			
Education Technology State Grants	84.318	N/A	18
Education Technology State Grants, Recovery Act	84.386	N/A	108
Rural Education	84.358	N/A	19,017
Improving Teacher Quality State Grants	84.367	N/A	87,261
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	149,567
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(3)	<u>17,455</u>
Total U.S. Department of Education			<u>\$ 1,269,142</u>
U.S. Department of Health and Human Services:			
Passed-through Douglas-Cherokee Economic Authority:			
Community Services Block Grant-Discretionary Awards	93.570	(2)	<u>\$ 499,475</u>
Total U.S. Department of Health and Human Services			<u>\$ 499,475</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	<u>\$ 76,889</u>
Total U.S. Department of Homeland Security			<u>\$ 76,889</u>
Total Expenditures of Federal Awards			<u>\$ 3,062,901</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)	\$ 46,401
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Families Resource Center Grant - State Department of Education	N/A	(2)	29,612
Safe Schools Act Grant - State Department of Education	N/A	(2)	6,800
Coordinated School Health - State Department of Education	N/A	(2)	85,000
Connect TN - State Department of Education	N/A	(2)	3,275
ACT/Explore - State Department of Education	N/A	(2)	2,168
Statewide Student Management System - State Department of Education	N/A	(2)	2,811
Adult Basic Education - State Department of Education	N/A	(2)	6,537
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	GG-12-39754	368,719
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	<u>655,609</u>
 Total State Grants			 <u>\$ 1,215,932</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 \$371,530.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	147	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>
12.10	152	Duties were not segregated adequately

HANCOCK COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hancock County is unmodified.
2. The audit of the financial statements of Hancock County disclosed significant deficiencies in internal control. One of these deficiencies is 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 significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133. However, the results of our auditing procedures disclosed an instance of noncompliance involving a nonmajor program with questioned costs of less than \$10,000, which we have reported.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Rural Business Enterprise Grants (CFDA No. 10.769), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and Community Services Block Grant – Discretionary Awards (CFDA No. 93.570) 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 and the annual monitoring of assessors of property by the state Division of Property Assessments, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The sheriff provided a written response on a certain finding, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2013-001

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*; and C. – Noncompliance Under *Government Auditing Standards* and OMB Circular A-133)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 30 disbursements totaling \$255,180 from a population of approximately 5,100 vendor checks totaling \$4,680,292. Our examination revealed several deficiencies. These deficiencies were the result of a lack of management oversight and management's failure to correct Part A. noted in the prior-year audit report.

- A. Our sample revealed that in 11 of 22 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.
- B. Our sample of disbursements included four purchases that required competitive bids. However, competitive bids were not solicited in three of the four applicable instances. Competitive bids were not solicited for an ambulance (\$93,529), a mobile emergency command center (\$16,738), and two trash containers (\$12,000). Section 5-14-202, *Tennessee Code Annotated*, requires public advertisement and solicitation of competitive bids for purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price. It should be noted that although management did not publicly advertise for bids on the ambulance, they did obtain three quotes and purchased from the lowest quote.
- C. As noted above, competitive bids were not solicited for the purchase of a mobile emergency command center (\$16,738). This purchase was made using federal grant funds under the Homeland Security Grant Program (CFDA No. 97.067), a nonmajor federal program and was an allowable program expenditure. However, the U.S. Office of Management and Budget Circular A-133 requires local governments to follow applicable state and local laws and regulations for procurements made with federal grant funds. It should be noted that the mobile emergency command center is listed on the General

Services Administration's website for \$14,602, which is \$1,277 less than the amount the county paid for the same unit excluding shipping.

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. Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute. Purchases made with federal grant funds should comply with provisions of OMB Circular A-133.

FINDING 2013-002

PAYMENTS MADE TO A COUNTY EMPLOYEE AT THE EMERGENCY MANAGEMENT SERVICE WERE NOT MADE THROUGH THE COUNTY'S PAYROLL SYSTEM

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

While examining disbursements, we determined that an employee of the Emergency Management Service received \$8,851 for filling in for other employees. This compensation was not paid through the county's payroll system and was in addition to the employee's regular salary. Since these additional payments were not paid through the county's payroll system, the payments were not subjected to federal income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching portions of social security and Medicare associated with these payments. This deficiency can be attributed to a lack of management oversight.

RECOMMENDATION

All payroll related payments to county employees should be made through the county's payroll system to properly reflect the employee's total compensation. Also, all wages should be subject to the proper employee payroll taxes and the county's matching portions.

FINDING 2013-003

AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT

(Noncompliance Under *Government Auditing Standards*)

The county had a contract in excess of \$500,000 and did not deposit amounts withheld (\$27,773) from contractor payments into an escrow account. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. Management advised that they were not aware that amounts withheld from contractor payments had to be deposited into an escrow account. This noncompliance could result in the loss of interest earnings for the contractor and is a result of management oversight.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

OFFICE OF TRUSTEE

FINDING 2013-004

THE PROPERTY TAX REPORT DID NOT RECONCILE WITH THE GENERAL LEDGER

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

We determined that collections reflected in the property tax report did not reconcile with collections posted in the general ledger by approximately \$6,231. This difference resulted from credit card transactions that had been accepted by the trustee's software vendor and deposited into the vendor's account but had not been processed through the accounting system by the trustee and transferred to the trustee's account. This resulted in a delay in the receipt of funds by the county trustee of approximately five months. This deficiency is a result of management not properly performing reconciliations of property tax collections and not developing internal controls to ensure that credit card payments are processed timely.

RECOMMENDATION

The trustee should accurately reconcile the property tax with the general ledger monthly, and any differences should be investigated promptly. Internal controls should be developed to ensure credit card transactions are processed currently.

OFFICE OF SHERIFF

FINDING 2013-005

DEFICIENCIES WERE NOTED IN THE COMMISSARY OPERATIONS

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

During May 2013, the Sheriff's Department began using software purchased from Hospitality Retail Solution to account for commissary operations. We noted several weaknesses related to this software and the commissary operations. These weaknesses were the result of management's oversight. It should be noted that the official began taking action to correct these weaknesses after discussions with auditors.

- A. The software does not maintain a cash journal that uses double-entry accounting, and the office was no longer posting commissary transactions to its manual cash journal. The official cash journal is the office's control record and should reflect all financial activity.

- B. The software did not generate official receipts for collections as required by Section 9-2-104, *Tennessee Code Annotated*. Instead, the software issued receipts that did not identify the county and the department. Receipts were numbered; however, the numbers were re-set daily. Therefore there is no sequential accounting for the receipts issued by the software. The use of generic non-sequentially numbered receipts exposes the office to risks that collections may not be accounted for properly.
- C. The system was only capable of producing a report reflecting the balance of the inmates' commissary account balances in real time. The system could not produce the report for any other selected date. Also, this system did not maintain a history of commissary transactions.
- D. A separate bank account was opened in May 2013 to account for commissary activity. The commissary's bank statements were not reconciled with the accounting records during the period. The failure to regularly reconcile bank statements with accounting records is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner.

RECOMMENDATION

The software should provide a double-entry accounting system. Official pre-numbered receipts should be issued, and the numbering system should not be re-set daily. The software system should have the capability to generate reports at any given point in time. Bank reconciliations should be performed monthly.

MANAGEMENT'S RESPONSE - SHERIFF

After discussions with the county auditors about the way the commissary account was documented, and the changes we needed to make to be in compliance, we immediately implemented the changes as follows:

- created a weekly and monthly account file that maintains a history of each inmate's transactions purchases, balances, etc.
- purchased and used a numbered receipt book that is titled "Hancock Co. Inmate Fund" with sequential numbering.
- began posting transactions in the department's manual cash journal.
- making bank deposits every three working days and reconciling each deposit as well as monthly.

I appreciate the help from the county auditor, with the auditor's recommendations and with the documents that were already in place, I feel we are now and will stay in compliance.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-006

MOBILE HOME SCHEDULES WERE NOT MAILED TO THE LAND OWNER WHERE THE MOBILE HOME WAS LOCATED

(Noncompliance Under *Government Auditing Standards*)

Mobile home schedules were not mailed to the owner of the land where the mobile homes were located. Section 67-5-802, *Tennessee Code Annotated (TCA)*, requires the assessor to furnish a schedule to each land owner of a mobile home park by March 1 each year. It is the land owner's responsibility to complete the schedule to report the number of mobile homes, make, serial number, size, original cost, and any other information necessary for proper assessment of the mobile homes. This deficiency occurred because the assessor failed to follow the state statute, which could result in the inaccurate assessment of the property.

RECOMMENDATION

The assessor should provide to land owners where mobile homes are located a schedule of assessed values of each mobile home before March 1 of each tax year and should review them for accuracy.

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

FINDING 2013-007

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among officials and employees in the Offices of County 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.

BEST PRACTICE

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.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Homeland Security: Passed-through State Department of Military: Homeland Security Grant Program	2013-008	97.067	Circular A-133, Compliance Supplement Part 3.I.	Noncompliance - See Finding 2013-001(C) - the office had deficiencies in purchasing procedures.	\$ 1,277

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

There were audit findings relative to federal awards presented in the prior- and current-years' Schedules of Findings and Questioned Costs.

County Mayor – Corrective Action Plan for Current-Year's Findings

FINDINGS 2013-001(C) and 2013-008

Contact person: Thomas Harrison, County Mayor

Corrective action planned: We will ensure that competitive bids are solicited in the future where applicable, including all grants. Additionally, we will comply with all directives from the granting agency related to the Homeland Security Grant program.

Anticipated completion date: September 3, 2013

Director of Schools – Summary Schedule of Prior-Year's Findings

FINDINGS 12.05 and 12.11

We reimbursed the Hancock County School Nutrition Program \$2,881.40 on August 23, 2012. We have also implemented a prepayment program for the 2013-2014 school year to prevent this issue in the future.