



**ANNUAL FINANCIAL REPORT  
HANCOCK COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2014**



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

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

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

*BRYAN BURKLIN, CPA, CGFM*  
*Audit Manager*

*MARK TREECE, CPA, CGFM*  
*Auditor 4*

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

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

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# ***Summary of Audit Findings***

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

## ***Scope***

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

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

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

### **OFFICE OF ROAD SUPERINTENDENT**

- ◆ Competitive bids were not solicited for the purchase of a backhoe.
- 

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

- ◆ Two used buses were not purchased in compliance with state statute.
- 

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Hancock County Officials

## June 30, 2014

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### **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**

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

### **Audit Committee**

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

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**FINANCIAL SECTION**

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STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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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, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

### ***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 plan on pages 70 - 72 be presented to supplement the basic financial statements. Such information,

although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

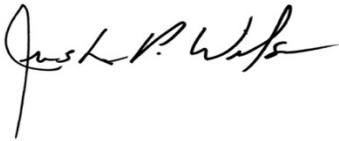
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock County School Department (a discretely presented component unit), and miscellaneous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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, 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 beginning.

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 18, 2014

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

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

	Primary Government			Total	Component Unit Hancock County School Department
	Governmental Activities	Business-type Activities			
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 2,391	\$ 0	\$ 2,391	\$ 26,904	
Equity in Pooled Cash and Investments	3,820,201	1,904,237	5,724,438	2,470,463	
Accounts Receivable	494,972	142,215	637,187	205	
Allowance for Uncollectibles	(295,763)	(55,968)	(351,731)	0	
Due from Other Governments	444,608	0	444,608	84,474	
Property Taxes Receivable	1,724,154	0	1,724,154	698,391	
Allowance for Uncollectible Property Taxes	(116,260)	0	(116,260)	(47,093)	
Notes Receivable - Long-term	0	0	0	11,185	
Capital Lease Receivable	4,097,261	0	4,097,261	0	
Assets Not Depreciated:					
Land	422,474	26,350	448,824	453,150	
Construction in Progress	0	0	0	44,617	
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,658,628	302,675	1,961,303	10,048,115	
Machinery and Equipment	366,894	0	366,894	566,663	
Infrastructure	13,304,284	0	13,304,284	0	
Total Assets	\$ 25,923,844	\$ 2,319,509	\$ 28,243,353	\$ 14,357,074	
<u>LIABILITIES</u>					
Accounts Payable	\$ 77,183	\$ 270	\$ 77,453	\$ 59,056	
Accrued Payroll	19,584	0	19,584	0	
Accrued Interest Payable	109,628	0	109,628	0	
Payroll Deductions Payable	8,752	4,189	12,941	0	
Due to the State of Tennessee	5,945	0	5,945	0	
Other Current Liabilities	36,800	0	36,800	121,934	
Noncurrent Liabilities:					
Due Within One Year	894,747	5,824	900,571	0	
Due in More Than One Year	12,654,053	5,824	12,659,877	340,793	
Total Liabilities	\$ 13,806,692	\$ 16,107	\$ 13,822,799	\$ 521,783	

(Continued)

Exhibit A

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

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
Deferred Current Property Taxes	\$ 1,537,678	\$ 0	\$ 1,537,678	\$ 622,857
Total Deferred Inflow of Resources	\$ 1,537,678	\$ 0	\$ 1,537,678	\$ 622,857
	\$ 15,552,080	\$ 329,025	\$ 15,881,105	\$ 11,112,545
<u>NET POSITION</u>				
Net Investment in Capital Assets				
Restricted For:				
General Government	19,636	0	19,636	0
Administration of Justice	20,649	0	20,649	0
Public Safety	83,724	0	83,724	0
Public Health and Welfare	38,171	0	38,171	0
Highways	1,078,042	0	1,078,042	0
Debt Service	1,638,514	0	1,638,514	0
Capital Projects	66,009	0	66,009	0
Education	0	0	0	236,747
Unrestricted	(7,917,351)	1,974,377	(5,942,974)	1,863,142
Total Net Position	\$ 10,579,474	\$ 2,303,402	\$ 12,882,876	\$ 13,212,434

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, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position										
	Program Revenues					Primary Government					Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	Hancock County School Department		
<b>Primary Government:</b>											
Governmental Activities:											
General Government	\$ 656,938	\$ 50,109	\$ 460,730	\$ 0	\$ (146,099)	\$ 0	\$ (146,099)	\$ 0	\$ 0	\$ 0	
Finance	476,310	138,805	0	0	(337,505)	0	(337,505)	0	0	0	
Administration of Justice	330,760	178,241	0	0	(152,519)	0	(152,519)	0	0	0	
Public Safety	1,787,118	892,272	115,960	0	(778,886)	0	(778,886)	0	0	0	
Public Health and Welfare	2,204,994	1,122,139	362,564	0	(720,291)	0	(720,291)	0	0	0	
Social, Cultural, and Recreational Services	75,174	44,345	0	0	(30,829)	0	(30,829)	0	0	0	
Agriculture and Natural Resources	63,880	0	0	0	(63,880)	0	(63,880)	0	0	0	
Highways	1,842,668	46,893	1,294,294	144,045	(357,436)	0	(357,436)	0	0	0	
Interest on Long-term Debt	374,266	0	0	0	(374,266)	0	(374,266)	0	0	0	
Total Governmental Activities	\$ 7,812,108	\$ 2,472,804	\$ 2,233,548	\$ 144,045	\$ (2,961,711)	\$ 0	\$ (2,961,711)	\$ 0	\$ (2,961,711)	\$ 0	
<b>Business-type Activities:</b>											
Home Health	\$ 2,097,073	\$ 2,578,538	\$ 0	\$ 0	\$ 0	\$ 481,465	\$ 481,465	\$ 481,465	\$ 0	\$ 0	
Total Business-type Activities	\$ 2,097,073	\$ 2,578,538	\$ 0	\$ 0	\$ 0	\$ 481,465	\$ 481,465	\$ 481,465	\$ 0	\$ 0	
Total Primary Government	\$ 9,909,181	\$ 5,051,342	\$ 2,233,548	\$ 144,045	\$ (2,961,711)	\$ 481,465	\$ (2,480,246)	\$ (2,480,246)	\$ 0	\$ 0	
<b>Component Unit:</b>											
Hancock County School Department	\$ 10,702,917	\$ 99,445	\$ 2,131,981	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,471,491)	\$ (8,471,491)	
Total Component Unit	\$ 10,702,917	\$ 99,445	\$ 2,131,981	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,471,491)	\$ (8,471,491)	

(Continued)

Exhibit B

Hancock County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position		Component Unit Hancock County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total		
					Governmental Activities	Business-type Activities			
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,478,793	\$ 0	\$ 1,478,793	\$ 639,679	
Property Taxes Levied for Debt Service					98,947	0	98,947	0	
Local Option Sales Taxes					45,480	0	45,480	212,580	
Wheel Tax					56,106	0	56,106	56,107	
Litigation Tax - General					10,239	0	10,239	0	
Litigation Tax - Special Purpose					5,499	0	5,499	0	
Litigation Tax - Jail, Workhouse, or Courthouse					6,378	0	6,378	0	
Litigation Tax - Courtroom Security					880	0	880	0	
Business Tax					23,932	0	23,932	0	
Wholesale Beer Tax					3,618	0	3,618	1,529	
Interstate Telecommunications Tax					549	0	549	689	
Grants and Contributions Not Restricted to Specific Programs					1,291,159	0	1,291,159	6,651,326	
Unrestricted Investment Income					10,437	0	10,437	323	
Miscellaneous					20,453	270	20,723	20,185	
Gain on Disposal of Capital Assets					0	0	0	4,431	
Total General Revenues					\$ 3,052,470	\$ 270	\$ 3,052,740	\$ 7,586,849	
Change in Net Position					\$ 90,759	\$ 481,735	\$ 572,494	\$ (884,642)	
Net Position, July 1, 2013					10,488,715	1,821,667	12,310,382	14,097,076	
Net Position, June 30, 2014					\$ 10,579,474	\$ 2,303,402	\$ 12,882,876	\$ 13,212,434	

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

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	100 \$	0 \$	0 \$	2,291 \$		2,391
Cash	1,105,193	863,476	1,744,339	107,193		3,820,201
Equity in Pooled Cash and Investments	489,476	3,450	1,959	87		494,972
Accounts Receivable	(295,763)	0	0	0		(295,763)
Allowance for Uncollectibles	187,341	223,586	154	33,527		444,608
Due from Other Governments	4,601	0	0	0		4,601
Due from Other Funds	1,312,709	0	77,999	333,446		1,724,154
Property Taxes Receivable	(89,747)	0	(5,874)	(20,639)		(116,260)
Allowance for Uncollectible Property Taxes	0	0	4,097,261	0		4,097,261
Capital Lease Receivable						
Total Assets	\$ 2,713,910 \$	1,090,512 \$	5,915,838 \$	455,905 \$		10,176,165

ASSETS

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

LIABILITIES

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

\$	32,418 \$	0 \$	0 \$	44,765 \$		77,183
	19,584	0	0	0		19,584
	8,106	0	0	646		8,752
	0	0	2,310	2,291		4,601
	5,945	0	0	0		5,945
	32,438	4,362	0	0		36,800
\$	98,491 \$	4,362 \$	2,310 \$	47,702 \$		152,865

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	1,167,857 \$	0 \$	68,125 \$	301,696 \$		1,537,678
	53,709	0	3,899	10,829		68,437
	224,141	111,793	4,098,022	198		4,434,154
\$	1,445,707 \$	111,793 \$	4,170,046 \$	312,723 \$		6,040,269

DEFERRED INFLOWS OF RESOURCES

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

FUND BALANCES

Restricted:						
Restricted for General Government	\$ 19,636	\$ 0	\$ 0	\$ 0		19,636
Restricted for Administration of Justice	20,649	0	0	0		20,649
Restricted for Public Safety	64,904	0	0	18,820		83,724
Restricted for Public Health and Welfare	27,144	0	0	0		27,144
Restricted for Highways/Public Works	0	974,357	0	0		974,357
Restricted for Debt Service	0	0	1,743,482	0		1,743,482
Restricted for Capital Projects	0	0	0	66,009		66,009
Committed:						
Committed for Public Health and Welfare	0	0	0	10,651		10,651
Assigned:						
Assigned for Social, Cultural, and Recreational Services	4,707	0	0	0		4,707
Assigned for Other Purposes	234,303	0	0	0		234,303
Unassigned	798,369	0	0	0		798,369
Total Fund Balances	\$ 1,169,712 \$	974,357 \$	1,743,482 \$	95,480 \$		3,983,031
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,713,910 \$	1,090,512 \$	5,915,838 \$	455,905 \$		10,176,165

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, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,983,031
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	422,474	
Add: buildings and improvements net of accumulated depreciation		1,658,628	
Add: machinery and equipment net of accumulated depreciation		366,894	
Add: infrastructure net of accumulated depreciation		<u>13,304,284</u>	15,752,280
(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	\$	(161,352)	
Less: other loans payable		(9,567,570)	
Less: capital leases payable		(68,360)	
Less: bonds payable		(3,600,000)	
Less: compensated absences payable		(32,864)	
Less: landfill closure/postclosure care costs		(76,580)	
Less: other postemployment benefits liability		(42,074)	
Less: accrued interest on bonds, notes, and capital leases		<u>(109,628)</u>	(13,658,428)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>4,502,591</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>10,579,474</u></u>

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

Hancock County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<b>Revenues</b>						
Local Taxes	\$ 1,349,356	\$ 0	\$ 97,843	\$ 264,733	\$ 1,711,932	
Licenses and Permits	3,732	0	0	0	3,732	
Fines, Forfeitures, and Penalties	74,861	0	0	8,625	83,486	
Charges for Current Services	968,741	0	0	35	968,776	
Other Local Revenues	99,684	49,843	28,984	5,553	184,064	
Fees Received from County Officials	258,992	0	0	0	258,992	
State of Tennessee	1,222,949	1,429,815	54	208	2,653,026	
Federal Government	191,095	0	0	582,224	773,319	
Other Governments and Citizens Groups	238,539	0	1,125,223	49,160	1,412,922	
<b>Total Revenues</b>	<b>\$ 4,407,949</b>	<b>\$ 1,479,658</b>	<b>\$ 1,252,104</b>	<b>\$ 910,538</b>	<b>\$ 8,050,249</b>	
<b>Expenditures</b>						
Current:						
General Government	\$ 624,869	\$ 0	\$ 0	\$ 0	\$ 624,869	
Finance	476,849	0	0	0	476,849	
Administration of Justice	330,814	0	0	0	330,814	
Public Safety	1,704,429	0	0	3,540	1,707,969	
Public Health and Welfare	946,238	0	0	408,934	1,355,172	
Social, Cultural, and Recreational Services	68,800	0	0	0	68,800	
Agriculture and Natural Resources	63,398	0	0	0	63,398	
Other Operations	285,204	0	0	0	285,204	
Highways	0	1,360,571	0	0	1,360,571	

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Expenditures (Cont.)</u>						
Debt Service:						
Principal on Debt	\$ 91,604	\$ 0	\$ 845,506	\$ 67,615		\$ 1,004,725
Interest on Debt	10,661	0	246,830	1,545		259,036
Other Debt Service	0	0	133,901	0		133,901
Capital Projects	0	0	0	546,330		546,330
Total Expenditures	\$ 4,602,866	\$ 1,360,571	\$ 1,226,237	\$ 1,027,964		\$ 8,217,638
Excess (Deficiency) of Revenues Over Expenditures	\$ (194,917)	\$ 119,087	\$ 25,867	\$ (117,426)		\$ (167,389)
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 6,728	\$ 0	\$ 0	\$ 0		\$ 6,728
Transfers In	0	0	0	35,000		35,000
Transfers Out	(35,000)	0	0	0		(35,000)
Total Other Financing Sources (Uses)	\$ (28,272)	\$ 0	\$ 0	\$ 35,000		\$ 6,728
Net Change in Fund Balances	\$ (223,189)	\$ 119,087	\$ 25,867	\$ (82,426)		\$ (160,661)
Fund Balance, July 1, 2013	1,392,901	855,270	1,717,615	177,906		4,143,692
Fund Balance, June 30, 2014	\$ 1,169,712	\$ 974,357	\$ 1,743,482	\$ 95,480		\$ 3,983,031

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, 2014

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (160,661)
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 175,425	
Less: current-year depreciation expense	<u>(772,860)</u>	(597,435)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p>		
Less: book value of capital assets disposed		(23,523)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 4,502,591	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(4,649,973)</u>	(147,382)
<p>(4) 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:</p>		
Add: principal payments on bonds	\$ 337,615	
Add: principal payments on notes	149,849	
Add: principal payments on other loans	486,000	
Add: principal payments on capital leases	<u>31,261</u>	1,004,725
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 16,654	
Change in compensated absences payable	7,507	
Change in other postemployment benefits liability	(7,994)	
Change in landfill closure/postclosure care costs	<u>(1,132)</u>	15,035
Change in net position of governmental activities (Exhibit B)		<u>\$ 90,759</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,349,356	\$ 1,368,474	\$ 1,368,474	\$ (19,118)
Licenses and Permits	3,732	2,000	2,000	1,732
Fines, Forfeitures, and Penalties	74,861	55,000	55,000	19,861
Charges for Current Services	968,741	838,600	838,600	130,141
Other Local Revenues	99,684	75,500	131,450	(31,766)
Fees Received from County Officials	258,992	229,000	229,000	29,992
State of Tennessee	1,222,949	1,232,675	1,337,186	(114,237)
Federal Government	191,095	213,709	231,602	(40,507)
Other Governments and Citizens Groups	238,539	181,000	225,000	13,539
<b>Total Revenues</b>	<b>\$ 4,407,949</b>	<b>\$ 4,195,958</b>	<b>\$ 4,418,312</b>	<b>\$ (10,363)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 124,621	\$ 164,363	\$ 164,363	\$ 39,742
Board of Equalization	1,500	1,500	1,500	0
County Mayor/Executive	128,845	142,662	143,012	14,167
County Attorney	15,240	15,240	15,240	0
Election Commission	97,919	101,108	104,523	6,604
Register of Deeds	102,826	108,255	108,605	5,779
County Buildings	153,918	183,753	184,103	30,185
<u>Finance</u>				
Purchasing	58,999	70,815	67,315	8,316
Property Assessor's Office	105,131	109,087	109,437	4,306
Reappraisal Program	23,923	25,625	25,625	1,702
County Trustee's Office	121,934	134,882	135,232	13,298
County Clerk's Office	130,164	144,162	144,862	14,698
Other Finance	36,698	41,000	41,000	4,302
<u>Administration of Justice</u>				
Circuit Court	145,791	166,223	166,923	21,132
General Sessions Court	77,677	79,832	79,832	2,155
Drug Court	3,126	0	3,126	0
Chancery Court	104,220	110,679	111,029	6,809
<u>Public Safety</u>				
Sheriff's Department	535,680	589,277	636,191	100,511
Jail	1,035,847	997,061	1,111,043	75,196
Juvenile Services	15,574	15,890	18,023	2,449
Commissary	32,774	51,774	51,774	19,000
Civil Defense	47,937	37,036	54,929	6,992
Rescue Squad	1,361	1,400	1,400	39
County Coroner/Medical Examiner	33,792	31,000	33,792	0
Other Public Safety	1,464	6,700	6,700	5,236

(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</u>				
Local Health Center	\$ 55,148	\$ 60,000	\$ 60,891	\$ 5,743
Ambulance/Emergency Medical Services	828,049	779,053	855,615	27,566
Alcohol and Drug Programs	0	1,000	1,000	1,000
Crippled Children Services	415	415	415	0
Other Local Health Services	21,256	20,400	30,700	9,444
Sanitation Management	35,414	33,700	35,977	563
Other Public Health and Welfare	5,956	5,640	38,740	32,784
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	9,483	9,483	9,483	0
Libraries	59,317	61,585	62,160	2,843
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	44,491	49,929	58,929	14,438
Soil Conservation	18,907	17,520	19,440	533
<u>Other Operations</u>				
Public Transportation	274,766	304,387	304,388	29,622
Veterans' Services	10,438	9,978	10,743	305
<u>Principal on Debt</u>				
General Government	91,604	61,811	91,605	1
<u>Interest on Debt</u>				
General Government	10,661	6,077	10,700	39
Total Expenditures	\$ 4,602,866	\$ 4,750,302	\$ 5,110,365	\$ 507,499
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (194,917)	\$ (554,344)	\$ (692,053)	\$ 497,136
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 6,728	\$ 0	\$ 5,191	\$ 1,537
Transfers In	0	650,000	650,000	(650,000)
Transfers Out	(35,000)	(135,000)	(135,000)	100,000
Total Other Financing Sources	\$ (28,272)	\$ 515,000	\$ 520,191	\$ (548,463)
Net Change in Fund Balance	\$ (223,189)	\$ (39,344)	\$ (171,862)	\$ (51,327)
Fund Balance, July 1, 2013	1,392,901	1,205,981	1,205,981	186,920
Fund Balance, June 30, 2014	\$ 1,169,712	\$ 1,166,637	\$ 1,034,119	\$ 135,593

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 49,843	\$ 0	\$ 0	\$ 49,843
State of Tennessee	1,429,815	1,393,797	1,393,797	36,018
Total Revenues	<u>\$ 1,479,658</u>	<u>\$ 1,393,797</u>	<u>\$ 1,393,797</u>	<u>\$ 85,861</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 450,461	\$ 486,119	\$ 486,119	\$ 35,658
Highway and Bridge Maintenance	304,761	1,047,110	1,013,255	708,494
Operation and Maintenance of Equipment	174,312	170,240	195,240	20,928
Other Charges	71,160	69,952	73,807	2,647
Employee Benefits	140,777	139,624	144,624	3,847
Capital Outlay	219,100	228,900	228,900	9,800
Total Expenditures	<u>\$ 1,360,571</u>	<u>\$ 2,141,945</u>	<u>\$ 2,141,945</u>	<u>\$ 781,374</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 119,087</u>	<u>\$ (748,148)</u>	<u>\$ (748,148)</u>	<u>\$ 867,235</u>
Net Change in Fund Balance	\$ 119,087	\$ (748,148)	\$ (748,148)	\$ 867,235
Fund Balance, July 1, 2013	<u>855,270</u>	<u>748,148</u>	<u>748,148</u>	<u>107,122</u>
Fund Balance, June 30, 2014	<u><u>\$ 974,357</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 974,357</u></u>

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, 2014

Business-type  
 Activities -  
 Major Enterprise  
 Fund  


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 Home  
 Health  
 Fund  


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ASSETS

Current Assets:		
Equity in Pooled Cash and Investments	\$	1,904,237
Accounts Receivable		142,215
Allowance for Uncollectibles		(55,968)
Total Current Assets	\$	<u>1,990,484</u>
Noncurrent Assets:		
Capital Assets:		
Assets Not Depreciated:		
Land	\$	26,350
Assets Net of Accumulated Depreciated:		
Buildings and Improvements		<u>302,675</u>
Total Noncurrent Assets	\$	<u>329,025</u>
Total Assets	\$	<u>2,319,509</u>

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	270
Payroll Deductions Payable		4,189
Accrued Leave - Current		<u>5,824</u>
Total Current Liabilities	\$	<u>10,283</u>
Noncurrent Liabilities:		
Accrued Leave - Long-term	\$	<u>5,824</u>
Total Noncurrent Liabilities	\$	<u>5,824</u>
Total Liabilities	\$	<u>16,107</u>

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Fund
	<u>Home Health Fund</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 329,025
Net Position - Unrestricted	<u>1,974,377</u>
Total Net Position	<u><u>\$ 2,303,402</u></u>

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

Exhibit D-2

Hancock County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

	Business-type Activities - Major Enterprise Fund
	Home Health Fund
	<hr/>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,385,852
Sale of Material and Supplies	192,686
Miscellaneous Refunds	270
Total Operating Revenues	<hr/> \$ 2,578,808 <hr/>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 109,214
Medical Personnel	718,290
Night Watchmen	7,200
Clerical Personnel	108,355
Custodial Personnel	5,778
Other Salaries and Wages	6,615
Board and Committee Members Fees	3,000
In-service Training	500
Social Security	59,603
Employee and Dependent Insurance	48,107
Unemployment Compensation	4,464
Employer Medicare	13,940
Advertising	3,611
Communication	19,150
Contributions	500
Data Processing	10,065
Dues and Memberships	3,811
Operating Lease Payments	3,605
Legal Services	38,813
Legal Notices, Recording, and Court Costs	3,384
Licenses	3,530
Maintenance and Repair Services - Buildings	635
Maintenance and Repair Services - Office Equipment	255
Maintenance and Repair Services - Vehicles	1,095

(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>	
Medical and Dental Services	\$ 3,730
Printing, Stationery, and Forms	2,375
Postal Charges	1,715
Rentals	18,000
Travel	98,809
Other Contracted Services	645,165
Custodial Supplies	1,429
Drugs and Medical Supplies	78,102
Electricity	7,694
Gasoline	1,423
Office Supplies	17,590
Propane Gas	2,537
Uniforms	512
Water and Sewer	1,711
Other Supplies and Materials	3,209
Liability Insurance	5,539
Refunds	4,231
Vehicle and Equipment Insurance	2,618
Premium on Corporate Surety Bonds	1,434
Depreciation	8,561
Other Charges	8,706
Office Equipment	8,463
Total Operating Expenses	<u>\$ 2,097,073</u>
Operating Income (Loss)	<u>\$ 481,735</u>
Change in Net Position	\$ 481,735
Net Position, July 1, 2013	<u>1,821,667</u>
Net Position, June 30, 2014	<u><u>\$ 2,303,402</u></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, 2014

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,701,962
Payments to Employees and Board Members	(964,349)
Payments for Fringe Benefits	(125,684)
Payments to Suppliers	(1,007,089)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 604,840</u>
Increase (Decrease) in Cash	\$ 604,840
Cash, July 1, 2013	<u>1,299,397</u>
Cash, June 30, 2014	<u><u>\$ 1,904,237</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 481,735
Adjustments to Reconcile Net Operating Income (Loss)	
to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	8,561
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	124,800
Increase (Decrease) in Allowance for Uncollectibles	(1,646)
Increase (Decrease) in Accounts Payable and Other Current Liabilities	(2,713)
Increase (Decrease) in Compensated Absences	(5,897)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 604,840</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Equity in Pooled Cash and Investments Per Net Position	<u>\$ 1,904,237</u>
Cash, June 30, 2014	<u><u>\$ 1,904,237</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 455,113
Equity in Pooled Cash and Investments	498,661
Accounts Receivable	3,748
Due from Other Governments	27,384
Prepaid Items	<u>2,481</u>
Total Assets	<u>\$ 987,387</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 593
Due to Other Taxing Units	530,777
Due to Litigants, Heirs, and Others	<u>456,017</u>
Total Liabilities	<u>\$ 987,387</u>

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

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

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

**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, 2014.

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

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

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

Fund financial statements of Hancock County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hancock County only reports one proprietary fund, an enterprise fund.

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

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

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

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

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

Hancock County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This special revenue fund accounts for transactions of the county’s Highway Department. State gasoline tax is the foundational revenue of this fund.

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

Hancock County reports the following major proprietary fund:

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

Additionally, Hancock County reports the following fund types:

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

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

The discretely presented Hancock County School Department reports the following major governmental funds:

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

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

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

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

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

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or

higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Hancock County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Hancock County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

All ambulance, home health, and property taxes receivable are shown with an allowance for uncollectibles. Ambulance and home health receivable allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 3.7 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 General and Highway/Public Works funds represent the balance in the payroll tax clearing accounts at June 30, 2014. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teachers' insurance clearing account (\$100,555) and the school board members' scholarship account (\$21,379) at June 30, 2014.

### **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, 2014.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, capital lease receivable, long-term notes receivable, and various receivables for revenues, which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**5. Compensated Absences**

It is the policy of Hancock County to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation of service. Also, the Hancock County Highway Department permits employees to accumulate a limited amount of earned but unused vacation benefits and sick leave,

which will be paid to employees upon separation of service. 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, 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, 2014, Hancock County had \$9,099,821 in outstanding debt for capital purposes for the discretely presented Hancock County School Department. This debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hancock County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission and the Board of Education are authorized bodies to make assignments. Assigned fund balance in the General Fund represents amounts appropriated for use in the 2014-15 year budget. Assigned fund balance in the School Department’s General Purpose School Fund consists of amounts appropriated for use in the 2014-15 year budget (\$340,821) and amounts assigned for a school health program (\$2,900).

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.

**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**

### **Budgetary Information**

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

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

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

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

#### 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, 2014.

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

**Primary Government**

The General Debt Service Fund had a lease receivable totaling \$4,097,261 at June 30, 2014. 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 7-1-13	Retired	Balance 6-30-14
Hospital Bond (A)	\$ 3,840,000	\$ 240,000	\$ 3,600,000
Hospital Bond (B)	30,000	30,000	0
Other Loans	497,261	0	497,261
<b>Total</b>	<b>\$ 4,367,261</b>	<b>\$ 270,000</b>	<b>\$ 4,097,261</b>

In the financial statements of the General Debt Service Fund, revenues of \$494,965 have been recognized from Wellmont during the year. This amount includes \$486,810 in current payments under the agreement and \$8,155 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility including interest. Wellmont has disputed the amount due for May, 2014 (\$30,222), which includes the principal payment (\$29,512) and fees (\$710) associated with the other loans. The disputed principal payment is reflected in the lease receivable balance, and the entire amount of the lease receivable is reflected as a deferred inflow of resources in the General Debt Service Fund.

**Discretely Presented Hancock County School Department**

In the 2005-06 fiscal year, the Hancock County Board of Education approved providing funds for tuition costs related to any teacher seeking a degree provided the teacher signs a promissory note and remains employed with the School Department for a minimum of three years. Two employees did not complete the requirements of the program, one of which has not yet reimbursed the School Department. Therefore, the financial statements of the General Purpose School Fund reflect a long-term note receivable of \$11,185 on June 30, 2014. 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, 2014, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 412,474	\$ 10,000	\$ 0	\$ 422,474
Total Capital Assets Not Depreciated	\$ 412,474	\$ 10,000	\$ 0	\$ 422,474
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,578,285	\$ 0	\$ 0	\$ 3,578,285
Machinery and Equipment	2,655,500	165,425	231,861	2,589,064
Infrastructure	21,908,915	0	0	21,908,915
Total Capital Assets Depreciated	\$ 28,142,700	\$ 165,425	\$ 231,861	\$ 28,076,264

**Governmental Activities (Cont):**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,829,223	\$ 90,434	\$ 0	\$ 1,919,657
Machinery and Equipment	2,295,804	134,704	208,338	2,222,170
Infrastructure	8,056,909	547,722	0	8,604,631
Total Accumulated Depreciation	<u>\$ 12,181,936</u>	<u>\$ 772,860</u>	<u>\$ 208,338</u>	<u>\$ 12,746,458</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,960,764</u>	<u>\$ (607,435)</u>	<u>\$ 23,523</u>	<u>\$ 15,329,806</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,373,238</u>	<u>\$ (597,435)</u>	<u>\$ 23,523</u>	<u>\$ 15,752,280</u>

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

**Governmental Activities:**

General Government	\$ 11,642
Public Safety	92,160
Public Health and Welfare	97,650
Social, Cultural, and Recreational Services	6,500
Agriculture and Natural Resources	482
Highway/Public Works	<u>564,426</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 772,860</u>

**Business-type Activities:**

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 26,350	\$ 0	\$ 26,350
Total Capital Assets Not Depreciated	\$ 26,350	\$ 0	\$ 26,350
Capital Assets Depreciated:			
Buildings and Improvements	\$ 342,466	\$ 0	\$ 342,466
Total Capital Assets Depreciated	\$ 342,466	\$ 0	\$ 342,466
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 31,230	\$ 8,561	\$ 39,791
Total Accumulated Depreciation	\$ 31,230	\$ 8,561	\$ 39,791
Total Capital Assets Depreciated, Net	\$ 311,236	\$ (8,561)	\$ 302,675
Business-type Activities Capital Assets, Net	\$ 337,586	\$ (8,561)	\$ 329,025

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

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

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Construction in Progress	35,724	8,893	0	44,617
Total Capital Assets Not Depreciated	\$ 488,874	\$ 8,893	\$ 0	\$ 497,767

**Governmental Activities (Cont.):**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Depreciated:				
Buildings and Improvements	\$ 15,573,433	\$ 0	\$ 0	\$ 15,573,433
Machinery and Equipment	1,682,213	34,000	76,623	1,639,590
<b>Total Capital Assets   Depreciated</b>	<b>\$ 17,255,646</b>	<b>\$ 34,000</b>	<b>\$ 76,623</b>	<b>\$ 17,213,023</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,110,249	\$ 415,069	\$ 0	\$ 5,525,318
Machinery and Equipment	1,050,779	96,472	74,324	1,072,927
<b>Total Accumulated   Depreciation</b>	<b>\$ 6,161,028</b>	<b>\$ 511,541</b>	<b>\$ 74,324</b>	<b>\$ 6,598,245</b>
<b>Total Capital Assets   Depreciated, Net</b>	<b>\$ 11,094,618</b>	<b>\$ (477,541)</b>	<b>\$ 2,299</b>	<b>\$ 10,614,778</b>
<b>Governmental Activities   Capital Assets, Net</b>	<b>\$ 11,583,492</b>	<b>\$ (468,648)</b>	<b>\$ 2,299</b>	<b>\$ 11,112,545</b>

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

**Governmental Activities:**

Instruction	\$ 415,069
Support Services	77,086
Operation of Non-instructional Services	<u>19,386</u>
<b>Total Depreciation Expense -   Governmental Activities</b>	<b><u>\$ 511,541</u></b>

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

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

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	General Debt Service	\$ 2,310
General	Nonmajor governmental	2,291
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	13,138

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. The amount that is payable from the General Debt Service Fund is for General Fund revenue that was posted in error.

**Interfund Transfers:**

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

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
General Fund	\$ 35,000

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

**E. Capital Lease**

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

transfers to Hancock County at the end of the lease period. The General Fund is making the lease payments.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 135,581
Less: Accumulated Depreciation	<u>(58,752)</u>
Total Book Value	<u><u>\$ 76,829</u></u>

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

Year Ending June 30	Governmental Funds
2015	\$ 37,338
2016	<u>37,339</u>
Total Minimum Lease Payments	\$ 74,677
Less: Amount Representing Interest	<u>(6,317)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 68,360</u></u>

**F. Long-term Obligations**

**Primary Government**

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

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 25 years for bonds, up to five years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in

long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2014, 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, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	5.6%	12-15-28	\$ 6,000,000	\$ 3,600,000
Capital Outlay Notes	2 to 3.39	11-3-16	258,529	161,352
Other Loans	Variable	5-25-28	13,650,000	9,567,570
Capital Leases	6.1	7-3-15	135,581	68,360

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, 2014, the variable interest rate and other fees for the other loan agreements were as follows:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-14	Interest Type	Interest Rates as of 6-30-14	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan	\$ 12,000,000	\$ 8,680,000	Variable	.12%	1.29%
School Construction and Hospital Equipment Loan	1,650,000	<u>887,570</u>	Variable	.07	1.43
Total		<u>\$ 9,567,570</u>			

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 240,000	\$ 204,400	\$ 444,400
2016	240,000	190,773	430,773
2017	240,000	177,147	417,147
2018	240,000	163,968	403,968
2019	240,000	149,893	389,893
2020-2024	1,200,000	545,366	1,745,366
2025-2029	1,200,000	204,549	1,404,549
Total	<u>\$ 3,600,000</u>	<u>\$ 1,636,096</u>	<u>\$ 5,236,096</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 64,176	\$ 4,094	\$ 68,270
2016	64,176	2,377	66,553
2017	33,000	660	33,660
Total	<u>\$ 161,352</u>	<u>\$ 7,131</u>	<u>\$ 168,483</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 537,000	\$ 11,037	\$ 124,732	\$ 672,769
2016	559,000	10,421	117,721	687,142
2017	590,000	9,780	110,423	710,203
2018	632,000	9,102	102,723	743,825
2019	658,000	8,375	94,479	760,854
2020-2024	3,841,000	29,626	334,030	4,204,656
2025-2028	2,750,570	6,465	73,176	2,830,211
Total	<u>\$ 9,567,570</u>	<u>\$ 84,806</u>	<u>\$ 957,284</u>	<u>\$ 10,609,660</u>

There is \$1,743,482 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,965, based on the 2010 federal census.

#### Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2013	\$ 3,937,615	\$ 311,201	\$ 99,621
Reductions	(337,615)	(149,849)	(31,261)
Balance, June 30, 2014	<u>\$ 3,600,000</u>	<u>\$ 161,352</u>	<u>\$ 68,360</u>
Balance Due Within One Year	<u>\$ 240,000</u>	<u>\$ 64,176</u>	<u>\$ 33,168</u>

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2013	\$ 75,448	\$ 10,053,570	\$ 40,371
Additions	1,132	0	18,771
Reductions	0	(486,000)	(26,278)
Balance, June 30, 2014	<u>\$ 76,580</u>	<u>\$ 9,567,570</u>	<u>\$ 32,864</u>
Balance Due Within One Year	<u>\$ 3,971</u>	<u>\$ 537,000</u>	<u>\$ 16,432</u>

	Other Postemployment Benefits
Balance, July 1, 2013	\$ 34,080
Additions	9,035
Reductions	(1,041)
Balance, June 30, 2014	<u>\$ 42,074</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 13,548,800
Less: Balance Due Within One Year	<u>(894,747)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,654,053</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, 2014, was as follows:

Business-type Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2013	\$ 17,545
Additions	7,263
Reductions	<u>(13,160)</u>
Balance, June 30, 2014	<u>\$ 11,648</u>
Balance Due Within One Year	<u>\$ 5,824</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, 2014, was as follows:

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2013	\$ 330,774
Additions	39,341
Reductions	<u>(29,322)</u>
Balance, June 30, 2014	<u>\$ 340,793</u>
Balance Due Within One Year	<u>\$ 0</u>

**G. Pledges of Future Revenues**

The Board of Education pledged, by resolution, a minimum of \$541,000 per year for the next 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 increased principal requirements on the debt for the current year, the School Department contributed \$572,229 to the General Debt Service Fund. The School Department also contributed \$58,029 to the General Debt Service Fund to be applied toward the retirement of a capital outlay note that was issued for the purchase of school buses.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$26,308 and \$11,498, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

**Primary Government**

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

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

Hancock County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *Tennessee Code Annotated*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**Discretely Presented Hancock County School Department**

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

compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

**B. Accounting Changes**

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

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

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

**C. Subsequent Events**

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

**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 landfill stops accepting waste, the county reports a portion of these postclosure care costs as an operating expense in each period

based on landfill capacity used as of each balance sheet date. Hancock County closed its sanitary landfill in 1997. The \$76,580 reported as postclosure liability at June 30, 2014, represents amounts based on what it would cost to perform all postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**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, 2014, 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, 2014, 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, 2013.

### **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 *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, 2013, was 7.27 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2013, Hancock County's annual pension cost of \$42,299 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 16 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$42,299	100%	\$0
6-30-12	40,898	100	0
6-30-11	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 *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](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011, were \$417,994, \$418,781, and \$433,048, 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	\$ 39,000	\$ 9,000
Interest on the NOPEBO	13,231	1,363
Adjustment to the ARC	(12,890)	(1,328)
Annual OPEB cost	\$ 39,341	\$ 9,035
Amount of contribution	(29,322)	(1,041)
Increase/decrease in NOPEBO	\$ 10,019	\$ 7,994
Net OPEB obligation, 7-1-13	330,774	34,080
Net OPEB obligation, 6-30-14	\$ 340,793	\$ 42,074

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 108,599	23 %	\$ 246,963
6-30-13	"	109,393	23	330,774
6-30-14	"	39,341	75	340,793
6-30-12	Local Government Group	20,000	17	16,659
6-30-13	"	19,959	13	34,080
6-30-14	"	9,035	12	42,074

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

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 459,000	\$ 25,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 459,000	\$ 25,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 4,536,683	\$ 3,794,472
UAAL as a % of covered payroll	10%	1%

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Government and the Local Education 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 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

### **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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Hancock County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Hancock County School Department  
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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, 2014, 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, 2013.

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, 2014

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group *	7-1-11	\$ 0	\$ 29	\$ 29	0 %	\$ 3,598	1 %
"	7-1-13	0	25	25	0	3,794	1
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	692	692	0	4,712	15
"	7-1-11	0	820	820	0	4,283	19
"	7-1-13	0	459	459	0	4,537	10

\*Data only available for two actuarial valuations.

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

NONE

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

## Capital Projects Funds

---

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Other Capital Projects Fund – The Other Capital Projects Fund was used during the year to account for public health and welfare capital expenditures as well as for the early retirement of industrial debt of the county.

Exhibit G-1

Hancock County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds				Total	Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	General Capital Projects		
\$	0 \$	0 \$	2,291 \$	2,291 \$	0	
Equity in Pooled Cash and Investments	22,364	18,820	0	41,184	4,150	
Accounts Receivable	87	0	0	87	0	
Due from Other Governments	594	0	0	594	32,933	
Property Taxes Receivable	333,446	0	0	333,446	0	
Allowance for Uncollectible Property Taxes	(20,639)	0	0	(20,639)	0	
Total Assets	335,852 \$	18,820 \$	2,291 \$	356,963 \$	37,083	

ASSETS

LIABILITIES

Accounts Payable	11,832 \$	0 \$	0 \$	11,832 \$	32,933	
Payroll Deductions Payable	646	0	0	646	0	
Due to Other Funds	0	0	2,291	2,291	0	
Total Liabilities	12,478 \$	0 \$	2,291 \$	14,769 \$	32,933	

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	301,696 \$	0 \$	0 \$	301,696 \$	0	
Deferred Delinquent Property Taxes	10,829	0	0	10,829	0	
Other Deferred/Unavailable Revenue	198	0	0	198	0	
Total Deferred Inflows of Resources	312,723 \$	0 \$	0 \$	312,723 \$	0	

(Continued)

Exhibit G-1

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

	Special Revenue Funds			Capital Projects Funds	
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		General Capital Projects
		Total			
\$	0 \$	18,820 \$	0 \$	18,820 \$	0
	0	0	0	0	4,150
	10,651	0	0	10,651	0
\$	10,651 \$	18,820 \$	0 \$	29,471 \$	4,150
\$	335,852 \$	18,820 \$	2,291 \$	356,963 \$	37,083

FUND BALANCES

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

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

<u>Capital Projects Funds</u> (Cont.)		Total
Other Capital Projects	Total	Nonmajor Governmental Funds

Cash	\$ 0 \$	0 \$	2,291
Equity in Pooled Cash and Investments	61,859	66,009	107,193
Accounts Receivable	0	0	87
Due from Other Governments	0	32,933	33,527
Property Taxes Receivable	0	0	333,446
Allowance for Uncollectible Property Taxes	0	0	(20,639)
<b>Total Assets</b>	<b>\$ 61,859 \$</b>	<b>98,942 \$</b>	<b>455,905</b>

LIABILITIES

Accounts Payable	\$ 0 \$	32,933 \$	44,765
Payroll Deductions Payable	0	0	646
Due to Other Funds	0	0	2,291
<b>Total Liabilities</b>	<b>\$ 0 \$</b>	<b>32,933 \$</b>	<b>47,702</b>

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 0 \$	0 \$	301,696
Deferred Delinquent Property Taxes	0	0	10,829
Other Deferred/Unavailable Revenue	0	0	198
<b>Total Deferred Inflows of Resources</b>	<b>\$ 0 \$</b>	<b>0 \$</b>	<b>312,723</b>

(Continued)

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

<u>Capital Projects Funds</u> <u>(Cont.)</u>		<u>Total</u>
<u>Other</u>	<u>Total</u>	<u>Nonmajor</u>
<u>Capital</u>	<u>Projects</u>	<u>Governmental</u>
<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
\$ 0	\$ 0	\$ 18,820
61,859	66,009	66,009
0	0	10,651
<u>\$ 61,859</u>	<u>\$ 66,009</u>	<u>\$ 95,480</u>
<u>\$ 61,859</u>	<u>\$ 98,942</u>	<u>\$ 455,905</u>

FUND BALANCES

Restricted:	
Restricted for Public Safety	18,820
Restricted for Capital Projects	66,009
Committed:	
Committed for Public Health and Welfare	10,651
Total Fund Balances	95,480
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	455,905

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, 2014

	Special Revenue Funds			Total	Capital Projects Funds
	Solid Waste / Sanitation	Drug Control			
<u>Revenues</u>					
Local Taxes	\$ 264,733 \$	0 \$	0 \$	264,733 \$	0
Fines, Forfeitures, and Penalties	0	8,625	8,625	8,625	0
Charges for Current Services	35	0	35	35	0
Other Local Revenues	5,553	0	5,553	5,553	0
State of Tennessee	208	0	208	208	0
Federal Government	0	0	0	0	582,224
Other Governments and Citizens Groups	0	0	0	0	30,000
Total Revenues	\$ 270,529 \$	8,625 \$	279,154 \$	279,154 \$	612,224
<u>Expenditures</u>					
Current:					
Public Safety	0 \$	3,540 \$	3,540 \$	3,540 \$	0
Public Health and Welfare	321,594	0	321,594	321,594	0
Debt Service:					
Principal on Debt	0	0	0	0	0
Interest on Debt	0	0	0	0	0
Capital Projects	0	0	0	0	546,330
Total Expenditures	\$ 321,594 \$	3,540 \$	325,134 \$	325,134 \$	546,330
Excess (Deficiency) of Revenues Over Expenditures	\$ (51,065) \$	5,085 \$	(45,980) \$	(45,980) \$	65,894

(Continued)

Exhibit G-2

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

	Special Revenue Funds			Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects
Other Financing Sources (Uses)				
Transfers In	\$ 35,000 \$	0 \$	35,000 \$	0
Total Other Financing Sources (Uses)	\$ 35,000 \$	0 \$	35,000 \$	0
Net Change in Fund Balances	\$ (16,065) \$	5,085 \$	(10,980) \$	65,894
Fund Balance, July 1, 2013	26,716	13,735	40,451	(61,744)
Fund Balance, June 30, 2014	\$ 10,651 \$	18,820 \$	29,471 \$	4,150

(Continued)

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

	<u>Capital Projects Funds (Cont.)</u>		Total
	Other Capital Projects	Total	Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	0 \$	0 \$	264,733
Fines, Forfeitures, and Penalties	0	0	8,625
Charges for Current Services	0	0	35
Other Local Revenues	0	0	5,553
State of Tennessee	0	0	208
Federal Government	0	582,224	582,224
Other Governments and Citizens Groups	19,160	49,160	49,160
Total Revenues	<u>19,160 \$</u>	<u>631,384 \$</u>	<u>910,538</u>
<u>Expenditures</u>			
Current:			
Public Safety	0 \$	0 \$	3,540
Public Health and Welfare	87,340	87,340	408,934
Debt Service:			
Principal on Debt	67,615	67,615	67,615
Interest on Debt	1,545	1,545	1,545
Capital Projects	0	546,330	546,330
Total Expenditures	<u>156,500 \$</u>	<u>702,830 \$</u>	<u>1,027,964</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(137,340) \$</u>	<u>(71,446) \$</u>	<u>(117,426)</u>

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total
	Other Capital Projects	Total	Nonmajor Governmental Funds
<u>Other Financing Sources (Uses)</u>			
Transfers In	0 \$	0 \$	35,000
Total Other Financing Sources (Uses)	0 \$	0 \$	35,000
Net Change in Fund Balances	(137,340) \$	(71,446) \$	(82,426)
Fund Balance, July 1, 2013	199,199	137,455	177,906
Fund Balance, June 30, 2014	61,859 \$	66,009 \$	95,480

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 264,733	\$ 275,250	\$ 275,250	\$ (10,517)
Charges for Current Services	35	300	300	(265)
Other Local Revenues	5,553	5,000	5,000	553
State of Tennessee	208	0	0	208
Total Revenues	<u>\$ 270,529</u>	<u>\$ 280,550</u>	<u>\$ 280,550</u>	<u>\$ (10,021)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 321,594	\$ 298,220	\$ 333,271	\$ 11,677
Total Expenditures	<u>\$ 321,594</u>	<u>\$ 298,220</u>	<u>\$ 333,271</u>	<u>\$ 11,677</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (51,065)</u>	<u>\$ (17,670)</u>	<u>\$ (52,721)</u>	<u>\$ 1,656</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 35,000	\$ 135,000	\$ 135,000	\$ (100,000)
Total Other Financing Sources	<u>\$ 35,000</u>	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ (100,000)</u>
Net Change in Fund Balance	\$ (16,065)	\$ 117,330	\$ 82,279	\$ (98,344)
Fund Balance, July 1, 2013	<u>26,716</u>	<u>26,441</u>	<u>26,441</u>	<u>275</u>
Fund Balance, June 30, 2014	<u>\$ 10,651</u>	<u>\$ 143,771</u>	<u>\$ 108,720</u>	<u>\$ (98,069)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 8,625	\$ 5,350	\$ 5,350	\$ 3,275
Total Revenues	\$ 8,625	\$ 5,350	\$ 5,350	\$ 3,275
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 3,540	\$ 2,055	\$ 7,055	\$ 3,515
Total Expenditures	\$ 3,540	\$ 2,055	\$ 7,055	\$ 3,515
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,085	\$ 3,295	\$ (1,705)	\$ 6,790
Net Change in Fund Balance	\$ 5,085	\$ 3,295	\$ (1,705)	\$ 6,790
Fund Balance, July 1, 2013	13,735	13,735	13,735	0
Fund Balance, June 30, 2014	\$ 18,820	\$ 17,030	\$ 12,030	\$ 6,790

# **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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 97,843	\$ 101,296	\$ 101,296	\$ (3,453)
Other Local Revenues	28,984	31,500	31,500	(2,516)
State of Tennessee	54	0	0	54
Other Governments and Citizens Groups	1,125,223	1,085,274	1,085,274	39,949
Total Revenues	<u>\$ 1,252,104</u>	<u>\$ 1,218,070</u>	<u>\$ 1,218,070</u>	<u>\$ 34,034</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 332,512	\$ 334,173	\$ 333,765	\$ 1,253
Education	512,994	456,488	512,994	0
<u>Interest on Debt</u>				
General Government	220,671	245,081	245,081	24,410
Education	26,159	473,252	396,801	370,642
<u>Other Debt Service</u>				
General Government	8,971	12,000	12,423	3,452
Education	124,930	105,000	124,930	0
Total Expenditures	<u>\$ 1,226,237</u>	<u>\$ 1,625,994</u>	<u>\$ 1,625,994</u>	<u>\$ 399,757</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,867</u>	<u>\$ (407,924)</u>	<u>\$ (407,924)</u>	<u>\$ 433,791</u>
Net Change in Fund Balance	\$ 25,867	\$ (407,924)	\$ (407,924)	\$ 433,791
Fund Balance, July 1, 2013	<u>1,717,615</u>	<u>1,382,466</u>	<u>1,382,466</u>	<u>335,149</u>
Fund Balance, June 30, 2014	<u>\$ 1,743,482</u>	<u>\$ 974,542</u>	<u>\$ 974,542</u>	<u>\$ 768,940</u>

# Fiduciary Funds

---

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

---

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, and sheriff. Such collections include amounts due 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, 2014

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>Constitu- tional Officers - Agency</u>	<u>Other Agency</u>	
<b><u>ASSETS</u></b>				
Cash	\$ 0	\$ 455,113	\$ 0	\$ 455,113
Equity in Pooled Cash and Investments	0	0	498,661	498,661
Accounts Receivable	0	904	2,844	3,748
Due from Other Governments	27,384	0	0	27,384
Prepaid Items	0	0	2,481	2,481
Total Assets	<u>\$ 27,384</u>	<u>\$ 456,017</u>	<u>\$ 503,986</u>	<u>\$ 987,387</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 0	\$ 0	\$ 593	\$ 593
Due to Other Taxing Units	27,384	0	503,393	530,777
Due to Litigants, Heirs, and Others	0	456,017	0	456,017
Total Liabilities	<u>\$ 27,384</u>	<u>\$ 456,017</u>	<u>\$ 503,986</u>	<u>\$ 987,387</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 166,322	\$ 166,322	\$ 0
Due from Other Governments	26,392	27,384	26,392	27,384
Total Assets	<u>\$ 26,392</u>	<u>\$ 193,706</u>	<u>\$ 192,714</u>	<u>\$ 27,384</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 26,392</u>	<u>\$ 193,706</u>	<u>\$ 192,714</u>	<u>\$ 27,384</u>
Total Liabilities	<u>\$ 26,392</u>	<u>\$ 193,706</u>	<u>\$ 192,714</u>	<u>\$ 27,384</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 471,739	\$ 1,218,317	\$ 1,234,943	\$ 455,113
Accounts Receivable	812	904	812	904
Total Assets	<u>\$ 472,551</u>	<u>\$ 1,219,221</u>	<u>\$ 1,235,755</u>	<u>\$ 456,017</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 472,551</u>	<u>\$ 1,219,221</u>	<u>\$ 1,235,755</u>	<u>\$ 456,017</u>
Total Liabilities	<u>\$ 472,551</u>	<u>\$ 1,219,221</u>	<u>\$ 1,235,755</u>	<u>\$ 456,017</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 406,855	\$ 232,157	\$ 140,351	\$ 498,661
Accounts Receivable	3,372	2,844	3,372	2,844
Prepaid Items	2,664	2,481	2,664	2,481
Total Assets	<u>\$ 412,891</u>	<u>\$ 237,482</u>	<u>\$ 146,387</u>	<u>\$ 503,986</u>
<u>Liabilities</u>				
Accounts Payable	\$ 508	\$ 593	\$ 508	\$ 593
Due to Other Taxing Units	412,383	236,889	145,879	503,393
Total Liabilities	<u>\$ 412,891</u>	<u>\$ 237,482</u>	<u>\$ 146,387</u>	<u>\$ 503,986</u>

(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	\$ 471,739	\$ 1,218,317	\$ 1,234,943	\$ 455,113
Equity in Pooled Cash and Investments	406,855	398,479	306,673	498,661
Accounts Receivable	4,184	3,748	4,184	3,748
Due from Other Governments	26,392	27,384	26,392	27,384
Prepaid Items	2,664	2,481	2,664	2,481
Total Assets	<u>\$ 911,834</u>	<u>\$ 1,650,409</u>	<u>\$ 1,574,856</u>	<u>\$ 987,387</u>
<u>Liabilities</u>				
Accounts Payable	\$ 508	\$ 593	\$ 508	\$ 593
Due to Other Taxing Units	438,775	430,595	338,593	530,777
Due to Litigants, Heirs, and Others	472,551	1,219,221	1,235,755	456,017
Total Liabilities	<u>\$ 911,834</u>	<u>\$ 1,650,409</u>	<u>\$ 1,574,856</u>	<u>\$ 987,387</u>

# Hancock County School Department

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

---

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, 2014

Functions/Programs	Program Revenues		Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:						
Instruction	\$ 5,866,030	\$ 5,400	\$ 450,663	\$ (5,409,967)		
Support Services	3,380,846	0	406,397	(2,974,449)		
Operation of Non-instructional Services	1,456,041	94,045	1,274,921	(87,075)		
Total Governmental Activities	\$ 10,702,917	\$ 99,445	\$ 2,131,981	\$ (8,471,491)		
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 639,679	
Local Option Sales Taxes					212,580	
Wheel Tax					56,107	
Wholesale Beer Tax					1,529	
Interstate Telecommunications Tax					689	
Grants and Contributions Not Restricted for Specific Programs					6,651,326	
Unrestricted Investment Income					323	
Miscellaneous					20,185	
Gain on Disposal of Capital Assets					4,431	
Total General Revenues					\$ 7,586,849	
Change in Net Position					\$ (884,642)	
Net Position, July 1, 2013					14,097,076	
Net Position, June 30, 2014					\$ 13,212,434	

Exhibit J-2

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

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 21,379	\$ 0	\$ 5,525	\$ 26,904
Equity in Pooled Cash and Investments	2,223,365	60,604	186,494	2,470,463
Accounts Receivable	205	0	0	205
Due from Other Governments	50,502	33,972	0	84,474
Due from Other Funds	0	0	13,138	13,138
Property Taxes Receivable	698,391	0	0	698,391
Allowance for Uncollectible Property Taxes	(47,093)	0	0	(47,093)
Notes Receivable - Long-term	11,185	0	0	11,185
Total Assets	<u>\$ 2,957,934</u>	<u>\$ 94,576</u>	<u>\$ 205,157</u>	<u>\$ 3,257,667</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 42,913	\$ 12,222	\$ 3,921	\$ 59,056
Due to Other Funds	13,138	0	0	13,138
Other Current Liabilities	121,934	0	0	121,934
Total Liabilities	<u>\$ 177,985</u>	<u>\$ 12,222</u>	<u>\$ 3,921</u>	<u>\$ 194,128</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 622,857	\$ 0	\$ 0	\$ 622,857
Deferred Delinquent Property Taxes	27,720	0	0	27,720
Other Deferred/Unavailable Revenue	28,469	0	0	28,469
Total Deferred Inflows of Resources	<u>\$ 679,046</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 679,046</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 33,157	\$ 2,354	\$ 201,236	\$ 236,747
Committed:				
Committed for Education	0	80,000	0	80,000
Committed for Debt Service	559,065	0	0	559,065
Assigned:				
Assigned for Education	343,721	0	0	343,721
Assigned for Capital Projects	10,000	0	0	10,000
Unassigned	1,154,960	0	0	1,154,960
Total Fund Balances	<u>\$ 2,100,903</u>	<u>\$ 82,354</u>	<u>\$ 201,236</u>	<u>\$ 2,384,493</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,957,934</u>	<u>\$ 94,576</u>	<u>\$ 205,157</u>	<u>\$ 3,257,667</u>

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, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	2,384,493
(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		44,617	
Add: building and improvements net of accumulated depreciation		10,048,115	
Add: machinery and equipment net of accumulated depreciation		<u>566,663</u>	11,112,545
(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			(340,793)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>56,189</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>13,212,434</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, 2014

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 901,758	\$ 0	\$ 0	\$ 901,758
Licenses and Permits	390	0	0	390
Charges for Current Services	0	0	94,045	94,045
Other Local Revenues	99,435	0	323	99,758
State of Tennessee	7,087,971	0	6,117	7,094,088
Federal Government	0	1,090,031	528,071	1,618,102
Total Revenues	<u>\$ 8,089,554</u>	<u>\$ 1,090,031</u>	<u>\$ 628,556</u>	<u>\$ 9,808,141</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,212,638	\$ 656,075	\$ 0	\$ 4,868,713
Support Services	2,823,662	450,995	0	3,274,657
Operation of Non-instructional Services	742,747	0	693,908	1,436,655
Capital Outlay	9,967	0	0	9,967
Debt Service:				
Other Debt Service	630,258	0	0	630,258
Total Expenditures	<u>\$ 8,419,272</u>	<u>\$ 1,107,070</u>	<u>\$ 693,908</u>	<u>\$ 10,220,250</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (329,718)</u>	<u>\$ (17,039)</u>	<u>\$ (65,352)</u>	<u>\$ (412,109)</u>
Net Change in Fund Balances	\$ (329,718)	\$ (17,039)	\$ (65,352)	\$ (412,109)
Fund Balance, July 1, 2013	2,430,621	99,393	266,588	2,796,602
Fund Balance, June 30, 2014	<u>\$ 2,100,903</u>	<u>\$ 82,354</u>	<u>\$ 201,236</u>	<u>\$ 2,384,493</u>

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, 2014

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (412,109)
(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	\$ 42,893	
Less: current-year depreciation expense	<u>(511,541)</u>	(468,648)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of assets disposed		(2,299)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 56,189	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(47,756)</u>	8,433
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability		<u>(10,019)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (884,642)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 901,758	\$ 879,760	\$ 879,760	\$ 21,998
Licenses and Permits	390	600	600	(210)
Other Local Revenues	99,435	53,864	75,364	24,071
State of Tennessee	7,087,971	6,190,100	7,084,739	3,232
<b>Total Revenues</b>	<b>\$ 8,089,554</b>	<b>\$ 7,124,324</b>	<b>\$ 8,040,463</b>	<b>\$ 49,091</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,220,820	\$ 3,184,931	\$ 3,231,012	\$ 10,192
Alternative Instruction Program	57,239	61,171	58,590	1,351
Special Education Program	622,673	606,646	622,673	0
Vocational Education Program	311,906	367,887	343,322	31,416
<u>Support Services</u>				
Attendance	97,760	92,563	98,346	586
Health Services	102,370	99,835	105,053	2,683
Other Student Support	274,167	295,530	289,177	15,010
Regular Instruction Program	390,701	254,960	439,288	48,587
Special Education Program	48,750	56,502	49,294	544
Vocational Education Program	60,978	59,552	64,952	3,974
Other Programs	37,806	0	37,806	0
Board of Education	174,838	184,125	180,704	5,866
Director of Schools	119,483	122,899	124,981	5,498
Office of the Principal	290,005	280,230	291,409	1,404
Fiscal Services	93,941	87,865	95,655	1,714
Operation of Plant	579,204	588,360	611,957	32,753
Maintenance of Plant	53,269	93,495	73,562	20,293
Transportation	490,395	471,498	528,093	37,698
Central and Other	9,995	10,000	10,000	5
<u>Operation of Non-instructional Services</u>				
Community Services	82,596	0	82,657	61
Early Childhood Education	660,151	0	660,270	119
<u>Capital Outlay</u>				
Regular Capital Outlay	9,967	10,000	10,000	33
<u>Other Debt Service</u>				
Education	630,258	599,168	630,397	139
<b>Total Expenditures</b>	<b>\$ 8,419,272</b>	<b>\$ 7,527,217</b>	<b>\$ 8,639,198</b>	<b>\$ 219,926</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (329,718)	\$ (402,893)	\$ (598,735)	\$ 269,017
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ 0	\$ (854)	\$ 854
<b>Total Other Financing Sources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (854)</b>	<b>\$ 854</b>
Net Change in Fund Balance	\$ (329,718)	\$ (402,893)	\$ (599,589)	\$ 269,871
Fund Balance, July 1, 2013	2,430,621	402,893	599,589	1,831,032
<b>Fund Balance, June 30, 2014</b>	<b>\$ 2,100,903</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,100,903</b>

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,090,031	\$ 1,061,868	\$ 1,393,243	\$ (303,212)
Total Revenues	\$ 1,090,031	\$ 1,061,868	\$ 1,393,243	\$ (303,212)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 431,078	\$ 427,299	\$ 513,201	\$ 82,123
Special Education Program	209,179	190,298	259,572	50,393
Vocational Education Program	15,818	15,896	15,896	78
<u>Support Services</u>				
Other Student Support	55,786	59,765	118,539	62,753
Regular Instruction Program	363,753	341,780	476,279	112,526
Special Education Program	17,293	13,391	17,293	0
Vocational Education Program	800	800	800	0
Transportation	13,363	12,639	15,287	1,924
Total Expenditures	\$ 1,107,070	\$ 1,061,868	\$ 1,416,867	\$ 309,797
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,039)	\$ 0	\$ (23,624)	\$ 6,585
Net Change in Fund Balance	\$ (17,039)	\$ 0	\$ (23,624)	\$ 6,585
Fund Balance, July 1, 2013	99,393	0	23,624	75,769
Fund Balance, June 30, 2014	\$ 82,354	\$ 0	\$ 0	\$ 82,354

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive - (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 94,045	\$ 87,000	\$ 87,000	\$ 7,045
Other Local Revenues	323	800	800	(477)
State of Tennessee	6,117	12,000	12,000	(5,883)
Federal Government	528,071	465,029	473,055	55,016
Total Revenues	<u>\$ 628,556</u>	<u>\$ 564,829</u>	<u>\$ 572,855</u>	<u>\$ 55,701</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 693,908	\$ 727,381	\$ 735,407	\$ 41,499
Total Expenditures	<u>\$ 693,908</u>	<u>\$ 727,381</u>	<u>\$ 735,407</u>	<u>\$ 41,499</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (65,352)</u>	<u>\$ (162,552)</u>	<u>\$ (162,552)</u>	<u>\$ 97,200</u>
Net Change in Fund Balance	\$ (65,352)	\$ (162,552)	\$ (162,552)	\$ 97,200
Fund Balance, July 1, 2013	<u>266,588</u>	<u>162,552</u>	<u>162,552</u>	<u>104,036</u>
Fund Balance, June 30, 2014	<u>\$ 201,236</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 201,236</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Hancock County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or	
						Matured During Period	Outstanding 6-30-14
<u>NOTES PAYABLE</u>							
<u>Payable through General Fund</u>							
Ambulance	\$ 93,529	3.39 %	7-31-12	7-31-15	\$ 93,529	\$ 31,177	\$ 62,352
"	87,500	4.74	8-20-10	8-20-13	29,166	29,166	0
Total Payable through General Fund					\$ 122,695	\$ 60,343	\$ 62,352
<u>Payable through General Debt Service Fund</u>							
School Buses	110,800	2.9	4-25-12	7-1-14	\$ 56,506	\$ 56,506	0
Courthouse Annex	(1)	2	11-3-11	11-3-16	132,000	33,000	99,000
Total Payable through General Debt Service Fund					\$ 188,506	\$ 89,506	\$ 99,000
Total Notes Payable					\$ 311,201	\$ 149,849	\$ 161,352
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 9,110,000	\$ 430,000	\$ 8,680,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	943,570	56,000	887,570
Total Other Loans Payable					\$ 10,053,570	\$ 486,000	\$ 9,567,570
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Fund</u>							
Sheriff's Department Vehicles	135,581	6.1	5-3-12	7-3-15	\$ 99,621	\$ 31,261	\$ 68,360
Total Capital Leases Payable					\$ 99,621	\$ 31,261	\$ 68,360

(Continued)

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or		
						Matured During Period	Outstanding 6-30-14	
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
F.H.A. Industrial Development Bond	(2) \$ 85,000	4.875 %	3-26-1998	3-26-36	\$ 67,615	\$	67,615	\$ 0
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	3,840,000		240,000	3,600,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	30,000		30,000	0
Total Bonds Payable					\$ 3,937,615	\$	337,615	\$ 3,600,000

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

(2) In prior years the requirements on this note were paid from the General Debt Service Fund. The balance of the note was retired early from the Other Capital Projects Fund during the current year.

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 64,176	\$ 4,094	\$ 68,270
2016	64,176	2,377	66,553
2017	33,000	660	33,660
Total	\$ 161,352	\$ 7,131	\$ 168,483

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 537,000	\$ 11,037	\$ 124,732	\$ 672,769
2016	559,000	10,421	117,721	687,142
2017	590,000	9,780	110,423	710,203
2018	632,000	9,102	102,723	743,825
2019	658,000	8,375	94,479	760,854
2020	695,000	7,617	85,898	788,515
2021	736,000	6,815	76,837	819,652
2022	768,000	5,965	67,245	841,210
2023	800,000	5,077	57,237	862,314
2024	842,000	4,152	46,813	892,965
2025	878,000	3,178	35,845	917,023
2026	905,000	2,161	24,411	931,572
2027	947,000	1,112	12,625	960,737
2028	20,570	14	295	20,879
Total	\$ 9,567,570	\$ 84,806	\$ 957,284	\$ 10,609,660

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2015	\$ 33,168	\$ 4,170	\$ 37,338
2016	35,192	2,147	37,339
Total	\$ 68,360	\$ 6,317	\$ 74,677

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		Total
	Principal	Interest	
2015	\$ 240,000	\$ 204,400	\$ 444,400
2016	240,000	190,773	430,773
2017	240,000	177,147	417,147
2018	240,000	163,968	403,968
2019	240,000	149,893	389,893
2020	240,000	136,267	376,267
2021	240,000	122,640	362,640
2022	240,000	109,312	349,312
2023	240,000	95,387	335,387
2024	240,000	81,760	321,760
2025	240,000	68,133	308,133
2026	240,000	54,656	294,656
2027	240,000	40,880	280,880
2028	240,000	27,253	267,253
2029	240,000	13,627	253,627
Total	\$ 3,600,000	\$ 1,636,096	\$ 5,236,096

Exhibit K-3

Hancock County, Tennessee  
Schedule of Notes and Capital Leases Receivable  
Primary Government and Discretely Presented Hancock County School Department  
June 30, 2014

<u>Description</u>	<u>Original Amount of Note/ Lease</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-14</u>
<u>PRIMARY GOVERNMENT</u>					
<u>Capital Leases Receivable</u>					
<u>General Debt Service Fund</u>					
Lease Agreement - Wellmont Health Systems	\$ 6,000,000	12-15-03	12-15-28	5.6 %	\$ 3,600,000
"	707,534	Various	5-25-28	Variable	497,261
Total Primary Government					<u>\$ 4,097,261</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	<u>3,516</u>
Total Discretely Presented Hancock County School Department					<u>\$ 11,185</u>

Exhibit K-4

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Operations	\$ 35,000
Total Transfers			<u>\$ 35,000</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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 69,832	\$ 25,000	Auto-Owners Mutual Insurance Company
Road Superintendent	Section 8-24-102, TCA	61,745	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	82,359 (1)	100,000	"
Trustee	Section 8-24-102, TCA	56,132	454,500	Auto-Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, TCA	56,132	25,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	56,132	25,000	Auto-Owners Mutual Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	56,132	25,000	"
Clerk and Master	Section 8-24-102, TCA	56,132	25,000	Western Surety Company
Register of Deeds	and Chancery Court Judge	56,132	15,000	"
Sheriff	Section 8-24-102, TCA	66,745 (2)	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 a chief executive officer's training supplement of \$1,000, secretary to the board pay of \$1,200, and year-end bonus of \$1,131.

(2) 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, 2014

	Special Revenue Funds							Debt Service			Capital	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service		Capital Projects	Funds				
					General	Debt Service		General	Capital Projects			
<u>Local Taxes</u>												
<u>County Property Taxes</u>												
Current Property Tax	\$ 1,087,046	\$ 242,834	\$ 0	\$ 0	\$ 89,941	\$ 0						
Trustee's Collections - Prior Year	45,310	9,135	0	0	3,289	0						
Circuit/Clerk & Master Collections - Prior Years	52,913	10,668	0	0	3,841	0						
Interest and Penalty	7,179	1,471	0	0	532	0						
Payments in-Lieu-of-Taxes - T.V.A.	18	4	0	0	2	0						
<u>County Local Option Taxes</u>												
Local Option Sales Tax	46,689	0	0	0	0	0						
Wheel Tax	56,106	0	0	0	0	0						
Litigation Tax - General	10,239	0	0	0	0	0						
Litigation Tax - Special Purpose	5,499	0	0	0	0	0						
Litigation Tax - Jail, Workhouse, or Courthouse	6,378	0	0	0	0	0						
Litigation Tax - Courthouse Security	880	0	0	0	0	0						
Business Tax	23,932	0	0	0	0	0						
Other County Local Option Taxes	3,859	0	0	0	0	0						
<u>Statutory Local Taxes</u>												
Wholesale Beer Tax	2,759	621	0	0	238	0						
Interstate Telecommunications Tax	549	0	0	0	0	0						
<b>Total Local Taxes</b>	<b>\$ 1,349,356</b>	<b>\$ 264,733</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 97,843</b>	<b>\$ 0</b>						
<u>Licenses and Permits</u>												
<u>Permits</u>												
Beer Permits	\$ 332	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0						
Building Permits	3,400	0	0	0	0	0						
<b>Total Licenses and Permits</b>	<b>\$ 3,732</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>						

(Continued)

Exhibit K-6

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

	General	Special Revenue Funds					Debt Service			Capital Projects	
		Solid Waste / Sanitation	Drug Control	Highway / Public Works	Fund		General	Capital	Funds		
					General	Debt Service			General	Capital	
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	3,717	0	0	0	0	0	0	0	0	0	
Officers Costs	1,803	0	0	0	0	0	0	0	0	0	
Drug Control Fines	2,803	0	2,605	0	0	0	0	0	0	0	
Drug Court Fees	332	0	0	0	0	0	0	0	0	0	
DUI Treatment Fines	285	0	0	0	0	0	0	0	0	0	
Data Entry Fee - Circuit Court	422	0	0	0	0	0	0	0	0	0	
<u>Criminal Court</u>											
Jail Fees	1,425	0	0	0	0	0	0	0	0	0	
<u>General Sessions Court</u>											
Fines	17,441	0	0	0	0	0	0	0	0	0	
Fines for Littering	48	0	0	0	0	0	0	0	0	0	
Officers Costs	12,903	0	0	0	0	0	0	0	0	0	
Game and Fish Fines	783	0	0	0	0	0	0	0	0	0	
Drug Control Fines	5,845	0	6,020	0	0	0	0	0	0	0	
Drug Court Fees	2,794	0	0	0	0	0	0	0	0	0	
Jail Fees	17,762	0	0	0	0	0	0	0	0	0	
DUI Treatment Fines	2,909	0	0	0	0	0	0	0	0	0	
Data Entry Fee - General Sessions Court	2,084	0	0	0	0	0	0	0	0	0	
<u>Juvenile Court</u>											
Fines	48	0	0	0	0	0	0	0	0	0	
Officers Costs	564	0	0	0	0	0	0	0	0	0	
Data Entry Fee - Juvenile Court	154	0	0	0	0	0	0	0	0	0	
<u>Chancery Court</u>											
Officers Costs	395	0	0	0	0	0	0	0	0	0	
Data Entry Fee - Chancery Court	344	0	0	0	0	0	0	0	0	0	
Total Fines, Forfeitures, and Penalties	\$ 74,861	\$ 0	\$ 8,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service		Capital Projects	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General	Debt Service	General	Capital Projects	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Tipping Fees	0 \$	35 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Patient Charges	866,533	0	0	0	0	0	0	0	0
Other General Service Charges	20,064	0	0	0	0	0	0	0	0
<u>Fees</u>									
Copy Fees	617	0	0	0	0	0	0	0	0
Library Fees	44,345	0	0	0	0	0	0	0	0
Telephone Commissions	34,208	0	0	0	0	0	0	0	0
Data Processing Fee - Register	2,324	0	0	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	650	0	0	0	0	0	0	0	0
Total Charges for Current Services	968,741 \$	35 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	0 \$	0 \$	0 \$	0 \$	0 \$	10,437 \$	0	0	0
Lease/Rentals	600	0	0	0	0	18,547	0	0	0
Sale of Materials and Supplies	615	0	0	46,893	0	0	0	0	0
Commissary Sales	85,440	0	0	0	0	0	0	0	0
Sale of Recycled Materials	0	5,553	0	0	0	0	0	0	0
Miscellaneous Refunds	13,029	0	0	2,950	0	0	0	0	0
Total Other Local Revenues	99,684 \$	5,553 \$	0 \$	49,843 \$	0 \$	28,984 \$	0	0	0
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	48,664 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Circuit Court Clerk	24,130	0	0	0	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt Service			Capital Projects	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Fund		General	Debt	Service	Funds		
					General	Debt				Capital	Projects	
<u>Fees Received from County Officials (Cont.)</u>												
<u>Fees in-Lieu-of-Salary (Cont.)</u>												
General Sessions Court Clerk	40,728	0	0	0	0	0	0	0	0	0	0	0
Clerk and Master	27,257	0	0	0	0	0	0	0	0	0	0	0
Juvenile Court Clerk	2,640	0	0	0	0	0	0	0	0	0	0	0
Register	24,289	0	0	0	0	0	0	0	0	0	0	0
Sheriff	1,143	0	0	0	0	0	0	0	0	0	0	0
Trustee	90,141	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>258,992</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>State of Tennessee</u>												
<u>Public Safety Grants</u>												
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	0	0	0	0
Drug Control Grants	5,697	0	0	0	0	0	0	0	0	0	0	0
<u>Health and Welfare Grants</u>												
Health Department Programs	13,437	0	0	0	0	0	0	0	0	0	0	0
<u>Public Works Grants</u>												
State Aid Program	0	0	0	144,045	0	0	0	0	0	0	0	0
Litter Program	32,825	0	0	0	0	0	0	0	0	0	0	0
<u>Other State Revenues</u>												
Income Tax	2,353	208	0	0	0	0	0	0	54	0	0	0
Beer Tax	17,806	0	0	0	0	0	0	0	0	0	0	0
Alcoholic Beverage Tax	12,906	0	0	0	0	0	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	256,913	0	0	0	0	0	0	0	0	0	0	0
Emergency Hospital - Prisoners	34,170	0	0	0	0	0	0	0	0	0	0	0
Contracted Prisoner Boarding	767,036	0	0	0	0	0	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	1,280,850	0	0	0	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds				Debt Service		Capital Projects Funds
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt	Service	
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Petroleum Special Tax	\$ 0 \$	0 \$	0 \$	4,920 \$	0 \$	0 \$	0
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	26,142	0	0	0	0	0	0
Other State Revenues	33,100	0	0	0	0	0	0
Total State of Tennessee	\$ 1,222,949 \$	208 \$	0 \$	1,429,815 \$	54 \$	0 \$	0
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	136,658
Homeland Security Grants	70,693	0	0	0	0	0	0
Other Federal through State	120,402	0	0	0	0	0	445,566
Total Federal Government	\$ 191,095 \$	0 \$	0 \$	0 \$	0 \$	0 \$	582,224
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 45,000 \$	0 \$	0 \$	0 \$	630,258 \$	30,000	0
Contracted Services	140,344	0	0	0	0	0	0
<u>Other</u>							
Other	53,195	0	0	0	494,965	0	0
Total Other Governments and Citizens Groups	\$ 238,539 \$	0 \$	0 \$	0 \$	1,125,223 \$	30,000	0
Total	\$ 4,407,949 \$	270,529 \$	8,625 \$	1,479,658 \$	1,252,104 \$	612,224	0

(Continued)

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

	Capital Projects Funds (Cont.) <u>Other</u>	Capital Projects <u>Total</u>
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	0 \$	1,419,821
Trustee's Collections - Prior Year	0	57,734
Circuit/Clerk & Master Collections - Prior Years	0	67,422
Interest and Penalty	0	9,182
Payments in-Lieu-of Taxes - T.V.A.	0	24
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	46,689
Wheel Tax	0	56,106
Litigation Tax - General	0	10,239
Litigation Tax - Special Purpose	0	5,499
Litigation Tax - Jail, Workhouse, or Courthouse	0	6,378
Litigation Tax - Courthouse Security	0	880
Business Tax	0	23,932
Other County Local Option Taxes	0	3,859
<u>Statutory Local Taxes</u>		
Wholesale Beer Tax	0	3,618
Interstate Telecommunications Tax	0	549
<u>Total Local Taxes</u>	<u>0 \$</u>	<u>1,711,932</u>
<u>Licenses and Permits</u>		
<u>Permits</u>		
Beer Permits	0 \$	332
Building Permits	0	3,400
<u>Total Licenses and Permits</u>	<u>0 \$</u>	<u>3,732</u>

(Continued)

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

	Capital Projects Funds (Cont.) <u>Other</u> Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	0 \$	3,717
Officers Costs	0	1,803
Drug Control Fines	0	5,408
Drug Court Fees	0	332
DUI Treatment Fines	0	285
Data Entry Fee - Circuit Court	0	422
<u>Criminal Court</u>		
Jail Fees	0	1,425
<u>General Sessions Court</u>		
Fines	0	17,441
Fines for Littering	0	48
Officers Costs	0	12,903
Game and Fish Fines	0	783
Drug Control Fines	0	11,865
Drug Court Fees	0	2,794
Jail Fees	0	17,762
DUI Treatment Fines	0	2,909
Data Entry Fee - General Sessions Court	0	2,084
<u>Juvenile Court</u>		
Fines	0	48
Officers Costs	0	564
Data Entry Fee - Juvenile Court	0	154
<u>Chancery Court</u>		
Officers Costs	0	395
Data Entry Fee - Chancery Court	0	344
<b>Total Fines, Forfeitures, and Penalties</b>	<b>0 \$</b>	<b>83,486</b>

(Continued)

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

	Capital Projects Funds (Cont.) <u>Other</u> Capital Projects	Total
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Tipping Fees	0 \$	35
Patient Charges	0	866,533
Other General Service Charges	0	20,064
<u>Fees</u>		
Copy Fees	0	617
Library Fees	0	44,345
Telephone Commissions	0	34,208
Data Processing Fee - Register	0	2,324
Sexual Offender Registration Fees - Sheriff	0	650
Total Charges for Current Services	<u>0 \$</u>	<u>968,776</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	0 \$	10,437
Lease/Rentals	0	19,147
Sale of Materials and Supplies	0	47,508
Commissary Sales	0	85,440
Sale of Recycled Materials	0	5,553
Miscellaneous Refunds	0	15,979
Total Other Local Revenues	<u>0 \$</u>	<u>184,064</u>
<u>Fees Received from County Officials</u>		
<u>Fees in-Lieu-of-Salary</u>		
County Clerk	0 \$	48,664
Circuit Court Clerk	0	24,130

(Continued)

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

	Capital Projects Funds (Cont.)	Other Capital Projects	Total
<u>Fees Received from County Officials (Cont.)</u>			
<u>Fees in-Lieu-of-Salary (Cont.)</u>			
General Sessions Court Clerk	0 \$		40,728
Clerk and Master	0		27,257
Juvenile Court Clerk	0		2,640
Register	0		24,289
Sheriff	0		1,143
Trustee	0		90,141
<b>Total Fees Received from County Officials</b>	<b>0 \$</b>		<b>258,992</b>
<u>State of Tennessee</u>			
<u>Public Safety Grants</u>			
Law Enforcement Training Programs	0 \$		5,400
Drug Control Grants	0		5,697
<u>Health and Welfare Grants</u>			
Health Department Programs	0		13,437
<u>Public Works Grants</u>			
State Aid Program	0		144,045
Litter Program	0		32,825
<u>Other State Revenues</u>			
Income Tax	0		2,615
Beer Tax	0		17,806
Alcoholic Beverage Tax	0		12,906
State Revenue Sharing - T.V.A.	0		256,913
Emergency Hospital - Prisoners	0		34,170
Contracted Prisoner Boarding	0		767,036
Gasoline and Motor Fuel Tax	0		1,280,850

(Continued)

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

	Capital Projects Funds (Cont.) Other Capital Projects	Total
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
Petroleum Special Tax	0 \$	4,920
Registrar's Salary Supplement	0	15,164
Other State Grants	0	26,142
Other State Revenues	0	33,100
Total State of Tennessee	<u>0 \$</u>	<u>2,653,026</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	0 \$	136,658
Homeland Security Grants	0	70,693
Other Federal through State	0	565,968
Total Federal Government	<u>0 \$</u>	<u>773,319</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	19,160 \$	724,418
Contracted Services	0	140,344
<u>Other</u>		
Other	0	548,160
Total Other Governments and Citizens Groups	<u>19,160 \$</u>	<u>1,412,922</u>
Total	<u>19,160 \$</u>	<u>8,050,249</u>

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, 2014

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 575,713	\$ 0	\$ 0	\$ 575,713
Trustee's Collections - Prior Year	23,386	0	0	23,386
Circuit/Clerk & Master Collections - Prior Years	27,310	0	0	27,310
Interest and Penalty	3,719	0	0	3,719
Payments in-Lieu-of Taxes - T.V.A.	10	0	0	10
<u>County Local Option Taxes</u>				
Local Option Sales Tax	213,295	0	0	213,295
Wheel Tax	56,107	0	0	56,107
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	1,529	0	0	1,529
Interstate Telecommunications Tax	689	0	0	689
Total Local Taxes	\$ 901,758	\$ 0	\$ 0	\$ 901,758
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 390	\$ 0	\$ 0	\$ 390
Total Licenses and Permits	\$ 390	\$ 0	\$ 0	\$ 390
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 94,045	\$ 94,045
Total Charges for Current Services	\$ 0	\$ 0	\$ 94,045	\$ 94,045
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 323	\$ 323
Lease/Rentals	5,400	0	0	5,400
Refund of Telecommunication and Internet Fees (E-Rate)	19,410	0	0	19,410
Miscellaneous Refunds	20,295	0	0	20,295
<u>Nonrecurring Items</u>				
Sale of Equipment	2,730	0	0	2,730
Damages Recovered from Individuals	70	0	0	70
Contributions and Gifts	51,437	0	0	51,437
<u>Other Local Revenues</u>				
Other Local Revenues	93	0	0	93
Total Other Local Revenues	\$ 99,435	\$ 0	\$ 323	\$ 99,758

(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>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 37,806	\$ 0	\$ 0	\$ 37,806
<u>State Education Funds</u>				
Basic Education Program	6,040,000	0	0	6,040,000
Early Childhood Education	655,609	0	0	655,609
School Food Service	0	0	6,117	6,117
Other State Education Funds	232,177	0	0	232,177
Career Ladder Program	51,531	0	0	51,531
Career Ladder - Extended Contract	15,820	0	0	15,820
<u>Other State Revenues</u>				
Income Tax	1,185	0	0	1,185
Other State Revenues	53,843	0	0	53,843
Total State of Tennessee	\$ 7,087,971	\$ 0	\$ 6,117	\$ 7,094,088
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 342,239	\$ 342,239
USDA - Commodities	0	0	33,055	33,055
Breakfast	0	0	141,015	141,015
USDA - Other	0	0	11,762	11,762
Vocational Education - Basic Grants to States	0	20,696	0	20,696
Title I Grants to Local Education Agencies	0	558,434	0	558,434
Special Education - Grants to States	0	235,354	0	235,354
Special Education Preschool Grants	0	14,391	0	14,391
Rural Education	0	29,117	0	29,117
Eisenhower Professional Development State Grants	0	92,868	0	92,868
Race-to-the-Top - ARRA	0	139,171	0	139,171
Total Federal Government	\$ 0	\$ 1,090,031	\$ 528,071	\$ 1,618,102
Total	\$ 8,089,554	\$ 1,090,031	\$ 628,556	\$ 9,808,141

Exhibit K-8

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

General Fund

General Government

County Commission

Bonus Payments	\$	43,772	
Other Salaries and Wages		6,710	
Board and Committee Members Fees		41,374	
Social Security		4,876	
Employee and Dependent Insurance		7,157	
Unemployment Compensation		368	
Employer Medicare		1,140	
Audit Services		2,546	
Contributions		7,782	
Dues and Memberships		4,009	
Legal Notices, Recording, and Court Costs		2,278	
Travel		556	
Premiums on Corporate Surety Bonds		885	
Other Charges		1,168	
Total County Commission			\$ 124,621

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	69,832	
Clerical Personnel		15,553	
Social Security		5,294	
State Retirement		5,077	
Employee and Dependent Insurance		2,340	
Unemployment Compensation		140	
Employer Medicare		1,238	
Communication		5,506	
Data Processing Services		10,734	
Dues and Memberships		565	
Maintenance and Repair Services - Office Equipment		95	
Postal Charges		6,137	
Travel		1,933	
Office Supplies		2,798	
Premiums on Corporate Surety Bonds		100	
Vehicle and Equipment Insurance		1,233	
Fines, Assessments, and Penalties		270	
Total County Mayor/Executive			128,845

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	50,518	
Other Salaries and Wages		2,395	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	8,200	
Election Workers		4,640	
Social Security		3,622	
State Retirement		3,673	
Unemployment Compensation		30	
Employer Medicare		847	
Communication		1,841	
Data Processing Services		7,100	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		1,855	
Maintenance and Repair Services - Equipment		382	
Postal Charges		1,071	
Printing, Stationery, and Forms		56	
Rentals		750	
Travel		3,846	
Other Contracted Services		2,417	
Data Processing Supplies		561	
Office Supplies		500	
Office Equipment		3,415	
Total Election Commission			\$ 97,919

Register of Deeds

County Official/Administrative Officer	\$	56,132	
Clerical Personnel		19,142	
Social Security		4,667	
State Retirement		4,081	
Employee and Dependent Insurance		6,240	
Unemployment Compensation		140	
Employer Medicare		1,091	
Communication		2,763	
Data Processing Services		2,479	
Dues and Memberships		442	
Operating Lease Payments		748	
Maintenance and Repair Services - Buildings		175	
Travel		1,180	
Office Supplies		3,446	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			102,826

County Buildings

Supervisor/Director	\$	6,706	
Custodial Personnel		21,598	
Other Salaries and Wages		6,741	
Social Security		2,173	
Employee and Dependent Insurance		1,040	
Unemployment Compensation		527	
Employer Medicare		508	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Contributions	\$	20,000	
Maintenance and Repair Services - Buildings		32,115	
Other Contracted Services		9,459	
Custodial Supplies		4,971	
Electricity		37,742	
Water and Sewer		9,133	
Other Supplies and Materials		1,205	
Total County Buildings			\$ 153,918

Finance

Purchasing

Data Processing Personnel	\$	52,103	
Social Security		3,230	
Unemployment Compensation		278	
Employer Medicare		755	
Operating Lease Payments		748	
Office Supplies		1,885	
Total Purchasing			58,999

Property Assessor's Office

County Official/Administrative Officer	\$	56,132	
Clerical Personnel		23,923	
Social Security		4,963	
State Retirement		4,081	
Employee and Dependent Insurance		6,377	
Unemployment Compensation		140	
Employer Medicare		1,161	
Audit Services		1,600	
Communication		730	
Data Processing Services		4,548	
Dues and Memberships		50	
Legal Notices, Recording, and Court Costs		80	
Travel		387	
Office Supplies		388	
Other Supplies and Materials		296	
Premiums on Corporate Surety Bonds		275	
Total Property Assessor's Office			105,131

Reappraisal Program

Clerical Personnel	\$	15,717	
Social Security		974	
Employee and Dependent Insurance		6,241	
Unemployment Compensation		140	
Employer Medicare		228	
Vehicle and Equipment Insurance		623	
Total Reappraisal Program			23,923

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	56,132	
Clerical Personnel		30,982	
Social Security		5,401	
State Retirement		4,081	
Employee and Dependent Insurance		7,085	
Unemployment Compensation		249	
Employer Medicare		1,263	
Communication		3,227	
Data Processing Services		8,500	
Dues and Memberships		347	
Operating Lease Payments		2,100	
Legal Notices, Recording, and Court Costs		80	
Travel		985	
Office Supplies		1,345	
Other Supplies and Materials		40	
Premiums on Corporate Surety Bonds		117	
Total County Trustee's Office			\$ 121,934

County Clerk's Office

County Official/Administrative Officer	\$	56,132	
Clerical Personnel		42,800	
Social Security		6,134	
State Retirement		4,044	
Employee and Dependent Insurance		3,120	
Unemployment Compensation		280	
Employer Medicare		1,434	
Communication		1,719	
Data Processing Services		8,167	
Dues and Memberships		625	
Operating Lease Payments		2,068	
Legal Notices, Recording, and Court Costs		80	
Travel		1,235	
Office Supplies		2,114	
Premiums on Corporate Surety Bonds		212	
Total County Clerk's Office			130,164

Other Finance

Trustee's Commission	\$	36,698	
Total Other Finance			36,698

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,132	
Clerical Personnel		42,529	
Jury and Witness Expense		6,279	
Social Security		6,117	
State Retirement		4,081	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Employee and Dependent Insurance	\$	9,359	
Unemployment Compensation		280	
Employer Medicare		1,431	
Communication		4,045	
Data Processing Services		4,482	
Dues and Memberships		337	
Operating Lease Payments		2,801	
Office Supplies		2,620	
Other Supplies and Materials		21	
Premiums on Corporate Surety Bonds		317	
Office Equipment		4,960	
Total Circuit Court			\$ 145,791

General Sessions Court

Judge(s)	\$	66,647	
Social Security		4,132	
State Retirement		4,845	
Employer Medicare		966	
Dues and Memberships		50	
Travel		1,037	
Total General Sessions Court			77,677

Drug Court

Other Charges	\$	3,126	
Total Drug Court			3,126

Chancery Court

County Official/Administrative Officer	\$	56,132	
Clerical Personnel		20,142	
Jury and Witness Expense		1,432	
Social Security		4,729	
State Retirement		4,081	
Employee and Dependent Insurance		4,810	
Unemployment Compensation		140	
Employer Medicare		1,106	
Communication		3,109	
Data Processing Services		3,921	
Dues and Memberships		417	
Travel		2,059	
Office Supplies		1,479	
Premiums on Corporate Surety Bonds		200	
Office Equipment		463	
Total Chancery Court			104,220

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	66,745	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Deputy(ies)	\$	228,296	
Investigator(s)		50,231	
In-Service Training		8,873	
Social Security		21,630	
State Retirement		4,852	
Employee and Dependent Insurance		19,531	
Unemployment Compensation		2,017	
Employer Medicare		5,059	
Dues and Memberships		1,050	
Maintenance and Repair Services - Vehicles		13,070	
Gasoline		38,845	
Law Enforcement Supplies		2,443	
Tires and Tubes		3,547	
Uniforms		3,525	
Liability Insurance		35,491	
Premiums on Corporate Surety Bonds		2,800	
Vehicle and Equipment Insurance		27,675	
Total Sheriff's Department	\$		535,680

Jail

Accountants/Bookkeepers	\$	24,228	
Dispatchers/Radio Operators		85,771	
Guards		274,343	
Clerical Personnel		23,304	
Cafeteria Personnel		21,656	
Social Security		26,617	
Employee and Dependent Insurance		35,759	
Unemployment Compensation		3,549	
Employer Medicare		6,225	
Communication		15,867	
Operating Lease Payments		4,313	
Legal Notices, Recording, and Court Costs		448	
Medical and Dental Services		94,289	
Postal Charges		1,629	
Travel		4,855	
Other Contracted Services		13,803	
Custodial Supplies		16,232	
Drugs and Medical Supplies		45	
Electricity		57,911	
Food Preparation Supplies		5,474	
Food Supplies		164,839	
Gasoline		274	
General Construction Materials		437	
Office Supplies		4,484	
Water and Sewer		43,062	
Other Supplies and Materials		12,807	
Specialized Medical Treatment		88,426	
Food Service Equipment		5,200	
Total Jail			1,035,847

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Youth Service Officer(s)	\$	11,102	
Social Security		688	
Unemployment Compensation		140	
Employer Medicare		161	
Communication		1,115	
Dues and Memberships		175	
Maintenance and Repair Services - Office Equipment		190	
Travel		855	
Office Supplies		1,148	
Total Juvenile Services			\$ 15,574

Commissary

Office Supplies	\$	950	
Other Supplies and Materials		31,824	
Total Commissary			32,774

Civil Defense

Other Salaries and Wages	\$	6,706	
Social Security		416	
Unemployment Compensation		132	
Employer Medicare		97	
Maintenance and Repair Services - Vehicles		278	
Other Supplies and Materials		4,052	
Vehicle and Equipment Insurance		19,808	
Motor Vehicles		5,825	
Other Equipment		10,623	
Total Civil Defense			47,937

Rescue Squad

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

County Coroner/Medical Examiner

Other Contracted Services	\$	33,792	
Total County Coroner/Medical Examiner			33,792

Other Public Safety

Road Signs	\$	1,464	
Total Other Public Safety			1,464

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	9,190	
Social Security		570	
Unemployment Compensation		140	
Employer Medicare		133	
Communication		3,853	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Maintenance Agreements	\$	1,010	
Maintenance and Repair Services - Buildings		4,620	
Maintenance and Repair Services - Equipment		575	
Pest Control		342	
Postal Charges		1,289	
Custodial Supplies		3,828	
Drugs and Medical Supplies		31	
Electricity		15,940	
Office Supplies		2,312	
Water and Sewer		2,060	
Other Supplies and Materials		1,078	
Building and Contents Insurance		1,691	
Other Charges		1,989	
Office Equipment		3,248	
Other Equipment		1,249	
Total Local Health Center			\$ 55,148

Ambulance/Emergency Medical Services

Supervisor/Director	\$	39,721
Medical Personnel		351,493
Part-time Personnel		97,534
Overtime Pay		1,401
In-Service Training		1,117
Social Security		30,072
Employee and Dependent Insurance		36,740
Unemployment Compensation		3,524
Employer Medicare		7,033
Communication		7,343
Data Processing Services		58,104
Dues and Memberships		860
Operating Lease Payments		1,911
Legal Notices, Recording, and Court Costs		116
Licenses		2,000
Maintenance and Repair Services - Buildings		1,330
Maintenance and Repair Services - Vehicles		51,128
Medical and Dental Services		80
Travel		129
Disposal Fees		2,898
Other Contracted Services		1,500
Custodial Supplies		2,797
Diesel Fuel		48,059
Drugs and Medical Supplies		28,589
Electricity		5,734
Office Supplies		1,331
Propane Gas		2,847
Tires and Tubes		6,110
Uniforms		4,751

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Water and Sewer	\$	1,351	
Other Supplies and Materials		1,080	
Refunds		216	
Vehicle and Equipment Insurance		27,378	
Other Charges		1,680	
Communication Equipment		92	
Total Ambulance/Emergency Medical Services	\$		828,049

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Part-time Personnel	\$	7,751	
Other Salaries and Wages		11,007	
Social Security		1,163	
Unemployment Compensation		273	
Employer Medicare		272	
Travel		790	
Total Other Local Health Services			21,256

Sanitation Management

Guards	\$	21,646	
Clerical Personnel		2,490	
Social Security		1,496	
Employee and Dependent Insurance		2,277	
Unemployment Compensation		144	
Employer Medicare		350	
Maintenance and Repair Services - Vehicles		500	
Gasoline		1,429	
Other Supplies and Materials		5,082	
Total Sanitation Management			35,414

Other Public Health and Welfare

Other Supplies and Materials	\$	5,956	
Total Other Public Health and Welfare			5,956

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	9,483	
Total Senior Citizens Assistance			9,483

Libraries

Assistant(s)	\$	15,389	
Librarians		20,149	
Social Security		2,203	
Employee and Dependent Insurance		3,120	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Unemployment Compensation	\$	280	
Employer Medicare		515	
Communication		3,138	
Dues and Memberships		75	
Travel		200	
Custodial Supplies		305	
Electricity		3,091	
Library Books/Media		5,443	
Office Supplies		3,370	
Periodicals		399	
Water and Sewer		865	
Other Charges		775	
Total Libraries			\$ 59,317

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	2,530	
Dues and Memberships		290	
Rentals		9,000	
Other Contracted Services		28,918	
Custodial Supplies		218	
Electricity		1,127	
Office Supplies		1,452	
Water and Sewer		956	
Total Agriculture Extension Service			44,491

Soil Conservation

Communication	\$	971	
Contributions		13,440	
Rentals		3,840	
Electricity		656	
Total Soil Conservation			18,907

Other Operations

Public Transportation

Supervisor/Director	\$	24,245	
Bus Drivers		130,418	
Clerical Personnel		8,480	
Social Security		10,115	
Employee and Dependent Insurance		14,465	
Unemployment Compensation		1,217	
Employer Medicare		2,366	
Advertising		75	
Communication		2,941	
Dues and Memberships		2,000	
Legal Notices, Recording, and Court Costs		330	
Maintenance and Repair Services - Vehicles		9,468	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Public Transportation (Cont.)

Travel	\$	1,231	
Gasoline		38,332	
Office Supplies		1,403	
Tires and Tubes		2,785	
Vehicle and Equipment Insurance		23,125	
Other Charges		1,770	
Total Public Transportation			\$ 274,766

Veterans' Services

Other Salaries and Wages	\$	6,267	
Social Security		389	
Unemployment Compensation		125	
Employer Medicare		91	
Communication		2,683	
Travel		856	
Other Supplies and Materials		27	
Total Veterans' Services			10,438

Principal on Debt

General Government

Principal on Notes	\$	60,343	
Principal on Capital Leases		31,261	
Total General Government			91,604

Interest on Debt

General Government

Interest on Notes	\$	4,584	
Interest on Capital Leases		6,077	
Total General Government			10,661

Total General Fund \$ 4,602,866

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	19,792	
Truck Drivers		46,441	
Other Salaries and Wages		51,880	
Social Security		7,323	
Employee and Dependent Insurance		9,359	
Unemployment Compensation		1,089	
Employer Medicare		1,713	
Communication		1,600	
Contracts with Private Agencies		101,140	
Maintenance and Repair Services - Equipment		23,667	
Other Contracted Services		4,632	
Diesel Fuel		29,862	

(Continued)

Exhibit K-8

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.)

Electricity	\$	1,586	
Tires and Tubes		6,150	
Vehicle Parts		1,790	
Other Supplies and Materials		1,253	
Trustee's Commission		5,820	
Vehicle and Equipment Insurance		5,024	
Other Charges		1,473	
Total Sanitation Management			\$ 321,594

Total Solid Waste/Sanitation Fund \$ 321,594

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,000	
Trustee's Commission		98	
Other Charges		1,442	
Total Drug Enforcement			\$ 3,540

Total Drug Control Fund 3,540

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,745	
Accountants/Bookkeepers		25,000	
Laborers		320,060	
Overtime Pay		17,199	
Data Processing Services		7,590	
Office Supplies		2,290	
Utilities		16,577	
Total Administration			\$ 450,461

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	76,031	
Asphalt - Hot Mix		106,100	
Crushed Stone		97,978	
Pipe - Metal		4,950	
Other Supplies and Materials		19,702	
Total Highway and Bridge Maintenance			304,761

Operation and Maintenance of Equipment

Diesel Fuel	\$	76,421	
Equipment and Machinery Parts		51,953	
Gasoline		34,573	
Lubricants		5,285	
Tires and Tubes		6,080	
Total Operation and Maintenance of Equipment			174,312

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Dues and Memberships	\$	1,952	
Licenses		368	
Trustee's Commission		12,772	
Vehicle and Equipment Insurance		49,855	
Other Charges		6,213	
Total Other Charges			\$ 71,160

Employee Benefits

Social Security	\$	26,324	
State Retirement		4,489	
Life Insurance		10,472	
Medical Insurance		37,201	
Unemployment Compensation		3,579	
Employer Medicare		6,157	
Other Fringe Benefits		7,841	
Workers' Compensation Insurance		44,714	
Total Employee Benefits			140,777

Capital Outlay

Operating Lease Payments	\$	579	
Highway Equipment		74,476	
State Aid Projects		144,045	
Total Capital Outlay			219,100

Total Highway/Public Works Fund \$ 1,360,571

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	270,000	
Principal on Notes		33,000	
Principal on Other Loans		29,512	
Total General Government			\$ 332,512

Education

Principal on Notes	\$	56,506	
Principal on Other Loans		456,488	
Total Education			512,994

Interest on Debt

General Government

Interest on Bonds	\$	216,810	
Interest on Notes		2,640	
Interest on Other Loans		1,221	
Total General Government			220,671

(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	\$ 1,523	
Interest on Other Loans	24,636	
Total Education		\$ 26,159
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 2,017	
Other Debt Service	6,954	
Total General Government		8,971
<u>Education</u>		
Other Debt Service	\$ 124,930	
Total Education		124,930
Total General Debt Service Fund		\$ 1,226,237
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Utility Projects</u>		
Other Construction	\$ 546,330	
Total Public Utility Projects		\$ 546,330
Total General Capital Projects Fund		546,330
<u>Other Capital Projects Fund</u>		
<u>Public Health and Welfare</u>		
<u>Ambulance/Emergency Medical Services</u>		
Motor Vehicles	\$ 77,340	
Total Ambulance/Emergency Medical Services		\$ 77,340
<u>Other Public Health and Welfare</u>		
Land	\$ 10,000	
Total Other Public Health and Welfare		10,000
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 67,615	
Total General Government		67,615
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 1,545	
Total General Government		1,545
Total Other Capital Projects Fund		156,500
Total Governmental Funds - Primary Government		<u>\$ 8,217,638</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, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,358,780	
Career Ladder Program		25,715	
Career Ladder Extended Contracts		12,956	
Bonus Payments		117,047	
Certified Substitute Teachers		4,770	
Non-certified Substitute Teachers		29,009	
Social Security		152,174	
State Retirement		219,810	
Medical Insurance		178,562	
Unemployment Compensation		5,510	
Employer Medicare		35,588	
Instructional Supplies and Materials		6,122	
Textbooks		74,777	
Total Regular Instruction Program			\$ 3,220,820

Alternative Instruction Program

Teachers	\$	45,025	
Social Security		2,643	
State Retirement		3,998	
Medical Insurance		4,860	
Unemployment Compensation		95	
Employer Medicare		618	
Total Alternative Instruction Program			57,239

Special Education Program

Teachers	\$	372,576	
Career Ladder Program		5,348	
Educational Assistants		89,120	
Certified Substitute Teachers		4,885	
Non-certified Substitute Teachers		5,583	
Social Security		28,556	
State Retirement		33,462	
Medical Insurance		26,656	
Unemployment Compensation		1,805	
Employer Medicare		6,679	
Other Contracted Services		21,100	
Other Supplies and Materials		26,903	
Total Special Education Program			622,673

Vocational Education Program

Teachers	\$	233,269	
Career Ladder Program		5,108	
Non-certified Substitute Teachers		2,258	
Social Security		13,302	
State Retirement		21,168	
Medical Insurance		33,025	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Unemployment Compensation	\$	665	
Employer Medicare		3,111	
Total Vocational Education Program			\$ 311,906

Support Services

Attendance

Supervisor/Director	\$	27,015	
Career Ladder Program		500	
Other Salaries and Wages		54,118	
Social Security		4,930	
State Retirement		2,443	
Medical Insurance		1,398	
Unemployment Compensation		95	
Employer Medicare		1,153	
Travel		6,108	
Total Attendance			97,760

Health Services

Other Salaries and Wages	\$	72,689	
Social Security		4,224	
State Retirement		5,090	
Medical Insurance		7,903	
Unemployment Compensation		190	
Employer Medicare		804	
Travel		2,055	
Other Supplies and Materials		6,015	
Other Charges		3,400	
Total Health Services			102,370

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		107,299	
School Resource Officer		46,555	
Other Salaries and Wages		79,877	
Social Security		14,759	
State Retirement		9,706	
Medical Insurance		7,824	
Unemployment Compensation		1,330	
Employer Medicare		3,452	
Travel		1,365	
Total Other Student Support			274,167

Regular Instruction Program

Supervisor/Director	\$	28,641	
Career Ladder Program		1,000	
Librarians		86,791	

(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.)

Instructional Computer Personnel	\$	54,844	
Other Salaries and Wages		37,328	
Social Security		12,867	
State Retirement		10,339	
Medical Insurance		3,244	
Unemployment Compensation		559	
Employer Medicare		3,015	
Maintenance and Repair Services - Equipment		12,010	
Travel		3,917	
Other Contracted Services		45,375	
Other Supplies and Materials		7,432	
In Service/Staff Development		3,061	
Other Charges		14,050	
Other Equipment		66,228	
Total Regular Instruction Program			\$ 390,701

Special Education Program

Supervisor/Director	\$	41,539	
Social Security		2,575	
Unemployment Compensation		95	
Employer Medicare		602	
Travel		3,939	
Total Special Education Program			48,750

Vocational Education Program

Supervisor/Director	\$	48,306	
Social Security		2,939	
State Retirement		4,290	
Unemployment Compensation		95	
Employer Medicare		687	
Other Supplies and Materials		4,661	
Total Vocational Education Program			60,978

Other Programs

On-behalf Payments to OPEB	\$	37,806	
Total Other Programs			37,806

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		8,000	
Social Security		496	
Medical Insurance		4	
Employer Medicare		133	
Audit Services		6,100	
Dues and Memberships		8,332	
Travel		4,982	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Liability Insurance	\$	67,085	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		31,073	
Workers' Compensation Insurance		36,090	
Other Charges		10,993	
Total Board of Education			\$ 174,838

Director of Schools

County Official/Administrative Officer	\$	79,028	
Career Ladder Program		1,000	
Social Security		4,964	
State Retirement		7,107	
Medical Insurance		4,638	
Unemployment Compensation		95	
Employer Medicare		1,161	
Other Fringe Benefits		1,375	
Communication		13,545	
Postal Charges		858	
Travel		3,745	
Administration Equipment		1,967	
Total Director of Schools			119,483

Office of the Principal

Principals	\$	131,496	
Career Ladder Program		3,000	
Assistant Principals		57,324	
Secretary(ies)		43,402	
Social Security		13,579	
State Retirement		17,034	
Medical Insurance		20,170	
Unemployment Compensation		665	
Employer Medicare		3,176	
Travel		159	
Total Office of the Principal			290,005

Fiscal Services

Accountants/Bookkeepers	\$	65,912	
Social Security		3,726	
Medical Insurance		7,903	
Unemployment Compensation		190	
Employer Medicare		871	
Travel		1,177	
Other Contracted Services		9,080	
Other Supplies and Materials		5,082	
Total Fiscal Services			93,941

(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	\$	145,560	
Other Salaries and Wages		22,000	
Social Security		10,307	
Unemployment Compensation		1,140	
Employer Medicare		2,411	
Maintenance and Repair Services - Equipment		6,695	
Disposal Fees		3,696	
Other Contracted Services		4,963	
Custodial Supplies		16,031	
Electricity		324,265	
Natural Gas		22,471	
Water and Sewer		19,665	
Total Operation of Plant			\$ 579,204

Maintenance of Plant

Supervisor/Director	\$	15,234	
Social Security		999	
Unemployment Compensation		95	
Employer Medicare		234	
Maintenance and Repair Services - Buildings		18,558	
Maintenance and Repair Services - Equipment		18,149	
Total Maintenance of Plant			53,269

Transportation

Supervisor/Director	\$	23,100	
Mechanic(s)		10,487	
Bus Drivers		186,290	
Other Salaries and Wages		27,015	
Social Security		15,013	
State Retirement		2,399	
Medical Insurance		6,113	
Unemployment Compensation		1,072	
Employer Medicare		3,585	
Maintenance and Repair Services - Vehicles		47,813	
Travel		1,253	
Diesel Fuel		72,189	
Gasoline		48,448	
Tires and Tubes		11,950	
Other Charges		3,668	
Transportation Equipment		30,000	
Total Transportation			490,395

Central and Other

Other Salaries and Wages	\$	4,645	
Social Security		284	
Employer Medicare		66	
Other Supplies and Materials		5,000	
Total Central and Other			9,995

(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

Community Services

Supervisor/Director	\$	25,250	
Other Salaries and Wages		46,800	
Social Security		4,419	
State Retirement		2,242	
Unemployment Compensation		472	
Employer Medicare		1,033	
Other Supplies and Materials		2,380	
Total Community Services			\$ 82,596

Early Childhood Education

Other Salaries and Wages	\$	466,341	
Social Security		27,847	
State Retirement		26,901	
Medical Insurance		19,149	
Unemployment Compensation		2,400	
Employer Medicare		6,513	
Other Supplies and Materials		100,014	
In Service/Staff Development		10,534	
Other Charges		452	
Total Early Childhood Education			660,151

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	9,967	
Total Regular Capital Outlay			9,967

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	630,258	
Total Education			630,258

Total General Purpose School Fund \$ 8,419,272

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	62,322	
Educational Assistants		22,581	
Other Salaries and Wages		223,142	
Non-certified Substitute Teachers		9,821	
Social Security		18,968	
State Retirement		25,122	
Medical Insurance		9,788	
Unemployment Compensation		790	
Employer Medicare		4,436	
Instructional Supplies and Materials		14,900	
Regular Instruction Equipment		39,208	
Total Regular Instruction Program			\$ 431,078

(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	\$	153,542	
Social Security		8,823	
Unemployment Compensation		1,425	
Employer Medicare		2,212	
Other Contracted Services		11,452	
Instructional Supplies and Materials		7,622	
Other Supplies and Materials		13,714	
Other Charges		1,000	
Special Education Equipment		9,389	
Total Special Education Program	\$		209,179

Vocational Education Program

Educational Assistants	\$	10,360	
Social Security		632	
Unemployment Compensation		54	
Employer Medicare		148	
Other Contracted Services		1,400	
Vocational Instruction Equipment		3,224	
Total Vocational Education Program			15,818

Support Services

Other Student Support

Maintenance and Repair Services - Equipment	\$	2,065	
Travel		9,481	
Other Contracted Services		26,615	
In Service/Staff Development		955	
Other Charges		16,670	
Total Other Student Support			55,786

Regular Instruction Program

Supervisor/Director	\$	28,641	
Secretary(ies)		20,539	
Other Salaries and Wages		205,615	
Social Security		15,465	
State Retirement		20,830	
Medical Insurance		4,256	
Unemployment Compensation		475	
Employer Medicare		3,617	
Postal Charges		92	
Travel		5,249	
Library Books/Media		3,724	
Periodicals		2,356	
In Service/Staff Development		26,127	
Other Charges		26,767	
Total Regular Instruction Program			363,753

(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

Travel	\$	1,015	
Other Contracted Services		<u>16,278</u>	
Total Special Education Program	\$		17,293

Vocational Education Program

Travel	\$	<u>800</u>	
Total Vocational Education Program			800

Transportation

Bus Drivers	\$	12,325	
Social Security		764	
Unemployment Compensation		95	
Employer Medicare		<u>179</u>	
Total Transportation			<u>13,363</u>

Total School Federal Projects Fund \$ 1,107,070

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	50,358	
Cafeteria Personnel		159,313	
Social Security		12,931	
State Retirement		4,472	
Unemployment Compensation		2,100	
Employer Medicare		3,024	
Maintenance and Repair Services - Equipment		25,058	
Travel		1,489	
Other Contracted Services		3,725	
Food Supplies		394,467	
USDA - Commodities		33,055	
Other Supplies and Materials		3,761	
In Service/Staff Development		<u>155</u>	
Total Food Service	\$		<u>693,908</u>

Total Central Cafeteria Fund 693,908

Total Governmental Funds - Hancock County School Department \$ 10,220,250

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, 2014

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 166,322
Total Cash Receipts	<u>\$ 166,322</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 164,659
Trustee's Commission	1,663
Total Cash Disbursements	<u>\$ 166,322</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
 Cash Balance, June 30, 2014	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2014, 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 18, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hancock County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2014-001 and 2014-004.

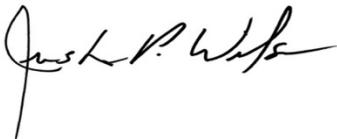
### **Compliance and Other Matters**

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: 2014-002 and 2014-003.

### **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 18, 2014

JPW/sb



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

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

Independent Auditor's Report

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, 2014. 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, 2014.

### **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.

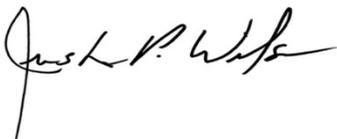
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2014, and the related notes to the financial statements, which collectively comprise Hancock County's basic financial statements. We issued our report thereon dated September 18, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

September 18, 2014

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Rural Business Enterprise Grants	10.769	(2)	\$ 32,579
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	141,015
National School Lunch Program	10.555	N/A	354,000 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	33,055 (3)
Total U.S. Department of Agriculture			<u>\$ 560,649</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	\$ 136,658
Total U.S. Department of Housing and Urban Development			<u>\$ 136,658</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	Z-14-RT0005-01	\$ 120,402
Total U.S. Department of Transportation			<u>\$ 120,402</u>
U.S. Environmental Protection Agency:			
Direct Program:			
Congressionally Mandated Projects	66.202	XP-95492112-0	\$ 412,987
Total U.S. Environmental Protection Agency			<u>\$ 412,987</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 571,757
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	248,824
Special Education - Preschool Grants	84.173	N/A	7,201
Career and Technical Education - Basic Grants to States	84.048	N/A	20,428
Rural Education	84.358	N/A	29,439
Improving Teacher Quality State Grants	84.367	N/A	92,874
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	136,547
Total U.S. Department of Education			<u>\$ 1,107,070</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 70,693
Total U.S. Department of Homeland Security			<u>\$ 70,693</u>
Total Expenditures of Federal Awards			<u>\$ 2,408,459</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)	\$ 32,825
Families Resource Center Grant - State Department of Education	N/A	(2)	29,612
Safe Schools Act Grant - State Department of Education	N/A	(2)	7,400
Coordinated School Health - State Department of Education	N/A	(2)	85,000
Connect TN - State Department of Education	N/A	(2)	2,852
Statewide Student Management System - State Department of Education	N/A	(2)	2,757
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	<u>655,609</u>
Total State Grants			<u>\$ 816,055</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 \$387,055.

SUBRECIPIENTS

Program Title	Federal CFDA Number	Amount Provided to Subrecipient	Subrecipient
Community Development Block Grants/States Program	14.228	\$ 136,658	Sneedville Utility District
Congressionally Mandated Projects	66.202	412,987	Sneedville Utility District

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

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, for the year ended June 30, 2013, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001(A)	143	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>
2013-007	147	Duties were not segregated adequately

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**HANCOCK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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

1. Our report on the financial statements of Hancock County is unmodified.
2. The audit of the financial statements of Hancock County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is 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.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Congressionally Mandated Projects (CFDA No. 66.202), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hancock County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 2014-001**

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

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

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 40 disbursements totaling \$189,108 from a population of approximately 4,172 vendor checks totaling \$9,274,899. Our sample revealed that in five of 21 applicable instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. This deficiency is the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

#### **RECOMMENDATION**

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

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### **OFFICE OF ROAD SUPERINTENDENT**

#### **FINDING 2014-002**

#### **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF A BACKHOE**

(Material Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 25 disbursements totaling \$293,511 from a population of 567 vendor checks totaling \$1,041,320. In our sample of 25 purchases, there were five purchases that required competitive bids. Of those five, one was not competitively bid. The Highway Department purchased a new backhoe for \$70,100 (\$83,600 less a trade-in allowance of \$13,500 for another backhoe owned by the department). The department did not solicit bids for the purchase of the new backhoe and the trade-in of another backhoe; however, the County Commission did approve the purchase of the new backhoe and the trade-in of another backhoe. Chapter 149, Private Acts of 1941, as amended, and Section 54-7-113, *Tennessee Code Annotated* (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. This deficiency is the result of a lack of management oversight. As a result, the best and lowest price may not have been obtained for the purchase of the new backhoe, and the best price may not have been received on the trade-in of the old backhoe.

#### RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statutes.

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### OFFICE OF DIRECTOR OF SCHOOLS

#### FINDING 2014-003

#### **TWO USED BUSES WERE NOT PURCHASED IN COMPLIANCE WITH STATE STATUTE** (Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures to obtain reasonable assurance that bids were properly solicited, we reviewed certain purchases that were just below or exceeded the \$10,000 bid limit. Our examination revealed competitive bids were not solicited for two used buses totaling \$34,000. It should be noted that the Board of Education approved the trade-in of an older bus for one of the used buses instead of disposing of the bus in a public auction. Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *Tennessee Code Annotated (TCA)*, which provide for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. Since the buses were used, Section 12-3-1003, *TCA*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met. However, the required documentation was not obtained; therefore, the best and lowest price may not have been obtained for the purchase of these used buses, and the best price may not have been received for the trade-in of the old bus.

#### RECOMMENDATION

All purchases should be made in compliance with applicable state statutes.

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

#### FINDING 2014-004

#### **DUTIES WERE NOT SEGREGATED ADEQUATELY** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among officials and employees in the Offices of County Clerk, Clerk and Master, Register of Deeds, Sheriff, and Home Health. Officials and employees responsible for maintaining accounting records were also involved in

receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

## **BEST PRACTICE**

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

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

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

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

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

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

**County Mayor – Summary Schedule of Prior-Year's Findings**

**FINDINGS 2013-001(C) and 2013-008**

We have implemented procedures to ensure that competitive bids are solicited in the future where applicable, including for all grants. Additionally, we have implemented procedures to help ensure compliance with all directives from the granting agency related to the Homeland Security Grant program.