

ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



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

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

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

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Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR – FORMER COUNTY MAYOR

- ◆ Competitive bids were not solicited for the purchase of an ambulance chassis.

OFFICE OF COUNTY MAYOR – CURRENT COUNTY MAYOR

- ◆ Some invoices were not paid timely.
- ◆ Deficiencies were noted in the operations of the airport.
- ◆ Drug control funds were expended improperly.
- ◆ The Solid Waste Office had deficiencies in computer system backup procedures.
- ◆ A cash shortage of at least \$3,062.72 existed at September 4, 2014, in the Solid Waste Office.

HARDEMAN COUNTY

- ◆ Compensation was paid in-lieu-of insurance benefits to some employees.
- ◆ The county violated the conflict of interest statute and made purchases from businesses owned by a county commissioner and the county mayor.

INTRODUCTORY SECTION

Hardeman County Officials

June 30, 2015

Officials

Jimmy Sain, County Mayor
David Sipes, Highway Superintendent
Warner Ross, II, Director of Schools
Mary Powell, Trustee
Josh Pulse, Assessor of Property
Jerry Armstrong, County Clerk
Linda Fulghum, Circuit, General Sessions, and Juvenile Courts Clerk
Janice Bodiford, Clerk and Master
Lily Barnes, Register of Deeds
John Doolen, Sheriff

Board of County Commissioners

Jimmy Sain, County Mayor, Chairman	Viscen Morrow
Chris Bell	Anthony Pulse
Elmer Cobb	Jackie Sain
Jim Daniel	Mac Vaughn
Bobby Doyle	John Vickers
Chandra Johnson	Elvis White
Johnny Lanier	Major Wilburn
Mike Madden	Connie Young
Donald McTizic	

Board of Highway Supervisors

John Mitchell, Chairman
Kenny Pulse
Tony Ross

Board of Education

Bobby Henderson, Chairman	Jerry Crisp
Kenny Adkins	Terry King
Jennifer Aylor	Jerry McCord
Beverly Bodiford	Richard Nelms
Patricia Carter	

Audit Committee

Viscen Morrow, Chairman	Johnny Lanier
Jim Daniel	Jerry Watkins

FINANCIAL SECTION



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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes a restatement to the beginning Governmental Activities net position totaling (\$153,450), Business-type Activities net position totaling (\$11,549) and discretely presented Hardeman County School Department net position totaling \$(5,847,575) on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plan on pages 84 - 90 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 Hardeman County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Hardeman 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, combining and individual fund financial statements of the Hardeman County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Hardeman 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 8, 2015, on our consideration of Hardeman 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 Hardeman County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 8, 2015

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Hardeman County School Department
<u>ASSETS</u>				
Cash	\$ 77,830	\$ 340	\$ 78,170	\$ 23
Equity in Pooled Cash and Investments	3,609,280	2,826,923	6,436,203	7,217,212
Accounts Receivable	2,194,988	589,931	2,784,919	10,807
Allowance for Uncollectibles	(1,176,773)	(182,879)	(1,359,652)	0
Due from Other Governments	504,071	0	504,071	1,179,483
Due from Other Funds	0	8,533	8,533	0
Due from Component Units	116,978	0	116,978	0
Property Taxes Receivable	4,086,941	0	4,086,941	5,838,487
Allowance for Uncollectible Property Taxes	(152,404)	0	(152,404)	(217,722)
Prepaid Items	13,924	0	13,924	0
Cash Shortage	0	3,063	3,063	0
Net Pension Asset - Cost-Sharing Plan	0	0	0	71,056
Capital Assets:				
Assets Not Depreciated:				
Land	1,467,092	219,838	1,686,930	358,116
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	3,305,403	1,514,610	4,820,013	12,663,204
Infrastructure	13,700,345	0	13,700,345	0
Other Capital Assets	2,415,861	113,766	2,529,627	2,458,053
Total Assets	\$ 30,163,536	\$ 5,094,125	\$ 35,257,661	\$ 29,578,719
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	\$ 160,206	\$ 0	\$ 160,206	\$ 0
Pension Changes in Experience	702,490	52,875	755,365	1,096,105
Pension Other Deferrals	0	0	0	22,402
Pension Contributions After Measurement Date	432,737	17,251	449,988	1,863,255
Total Deferred Outflows of Resources	\$ 1,295,433	\$ 70,126	\$ 1,365,559	\$ 2,981,762
<u>LIABILITIES</u>				
Accounts Payable	\$ 47,034	\$ 14,614	\$ 61,648	\$ 174,478
Payroll Deductions Payable	6,793	168	6,961	21,954
Accrued Interest Payable	37,607	0	37,607	0
Due to Other Funds	8,533	0	8,533	0
Due to Primary Government	0	0	0	116,978
Due to State of Tennessee	1,471	71	1,542	0
Noncurrent Liabilities:				
Due Within One Year	799,337	9,411	808,748	37,417
Due in More Than One Year (net of unamortized premium on debt)	7,341,627	2,671,970	10,013,597	1,520,418
Total Liabilities	\$ 8,242,402	\$ 2,696,234	\$ 10,938,636	\$ 1,871,245

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Hardeman County School Department
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 3,813,154	\$ 0	\$ 3,813,154	\$ 5,447,362
Pension Changes in Investment Earnings	763,465	57,463	820,928	6,858,351
Total Deferred Inflows of Resources	<u>\$ 4,576,619</u>	<u>\$ 57,463</u>	<u>\$ 4,634,082</u>	<u>\$ 12,305,713</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 20,578,479	\$ 1,848,214	\$ 22,426,693	\$ 15,479,373
Restricted for:				
General Government	37,322	0	37,322	0
Finance	9,712	0	9,712	0
Administration of Justice	75,218	0	75,218	0
Public Safety	466,007	0	466,007	0
Public Health and Welfare	12,747	0	12,747	0
Highways/Public Works	137,612	0	137,612	0
Debt Service	690,213	0	690,213	0
Education	0	0	0	49,641
Operation of Non-instructional Services	0	0	0	570,451
Unrestricted	<u>(3,367,362)</u>	<u>562,340</u>	<u>(2,805,022)</u>	<u>2,284,058</u>
Total Net Position	<u>\$ 18,639,948</u>	<u>\$ 2,410,554</u>	<u>\$ 21,050,502</u>	<u>\$ 18,383,523</u>

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

Exhibit B

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

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			Component Unit Hardeman County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total			
					Governmental Activities	Business- type Activities				
Primary Government:										
Governmental Activities:										
General Government	\$ 2,149,239	\$ 234,144	\$ 79,532	\$ 0	\$ (1,835,563)	\$ 0	\$ (1,835,563)	\$ 0	0	
Finance	777,062	634,700	0	0	(142,362)	0	(142,362)	0	0	
Administration of Justice	1,067,419	719,535	27,500	0	(320,384)	0	(320,384)	0	0	
Public Safety	4,834,318	932,197	36,884	113,566	(3,751,671)	0	(3,751,671)	0	0	
Public Health and Welfare	2,634,246	1,731,086	296,558	0	(606,602)	0	(606,602)	0	0	
Social, Cultural, and Recreational Services	99,788	0	0	0	(99,788)	0	(99,788)	0	0	
Agriculture and Natural Resources	116,569	0	0	0	(116,569)	0	(116,569)	0	0	
Highways/Public Works	2,832,576	0	1,980,153	309,668	(542,755)	0	(542,755)	0	0	
Interest on Long-term Debt	222,718	0	4,877	0	(217,841)	0	(217,841)	0	0	
Total Governmental Activities	\$ 14,733,935	\$ 4,251,662	\$ 2,425,504	\$ 423,234	\$ (7,633,535)	\$ 0	\$ (7,633,535)	\$ 0	0	
Business-type Activities:										
Solid Waste Disposal	\$ 953,021	\$ 1,389,383	\$ 42,181	\$ 0	\$ 0	\$ 478,543	\$ 478,543	\$ 478,543	0	
Total Business-type Activities	\$ 953,021	\$ 1,389,383	\$ 42,181	\$ 0	\$ 0	\$ 478,543	\$ 478,543	\$ 478,543	0	
Total Primary Government	\$ 15,686,956	\$ 5,641,045	\$ 2,467,685	\$ 423,234	\$ (7,633,535)	\$ 478,543	\$ (7,154,992)	\$ 0	0	
Component Unit:										
Hardeman County School Department	\$ 36,022,393	\$ 373,492	\$ 4,945,990	\$ 0	\$ 0	\$ 0	\$ 0	\$ (30,702,911)	0	
Total Component Unit	\$ 36,022,393	\$ 373,492	\$ 4,945,990	\$ 0	\$ 0	\$ 0	\$ 0	\$ (30,702,911)	0	

(Continued)

Exhibit B

Hardeman County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Hardeman County School Department
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
				Total Governmental Activities	Business- type Activities		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$	3,962,917	\$	5,744,924
Local Option Sales Taxes					193,897		2,211,620
Wheel Tax					1,541,281		0
Litigation Tax					207,285		0
Business Tax					169,023		0
Wholesale Beer Tax					139,880		0
Other Local Taxes					23,029		4,926
Grants and Contributions Not Restricted for Specific Programs					2,083,427		23,275,710
Unrestricted Investment Income					69,070	9,839	3,527
Miscellaneous					133,640	675	74,942
Pension Income					0	0	57,206
Total General Revenues				\$	8,523,449	\$	31,372,855
Change in Net Position				\$	889,914	\$	669,944
Net Position, July 1, 2014					17,903,484	1,933,046	23,561,154
Restatement - Pension Liability (see Note I.D.9)					(153,450)	(11,549)	(5,847,575)
Net Position, June 30, 2015				\$	18,639,948	\$	18,383,523

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

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

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Other	Governmental Funds	
\$	0	0	77,830	\$	77,830
	1,977,881	873,125	758,274		3,609,280
	2,194,743	0	245		2,194,988
	(1,176,773)	0	0		(1,176,773)
	164,793	339,278	0		504,071
	1,181	0	0		1,181
	4,086,941	0	0		4,086,941
	(152,404)	0	0		(152,404)
	0	13,924	0		13,924
	<u>7,096,362</u>	<u>1,226,327</u>	<u>836,349</u>		<u>9,159,038</u>

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	
Prepaid Items	
Total Assets	

LIABILITIES

Accounts Payable	46,824	0	210	47,034
Payroll Deductions Payable	4,838	1,955	0	6,793
Due to Other Funds	8,533	0	1,181	9,714
Due to State of Tennessee	1,471	0	0	1,471
Total Liabilities	<u>61,666</u>	<u>1,955</u>	<u>1,391</u>	<u>65,012</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	3,813,154	0	0	3,813,154
Deferred Delinquent Property Taxes	110,958	0	0	110,958
Other Deferred/Unavailable Revenue	974,607	167,639	0	1,142,246
Total Deferred Inflows of Resources	<u>4,898,719</u>	<u>167,639</u>	<u>0</u>	<u>5,066,358</u>

(Continued)

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

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Other Governmental Funds	Governmental Funds	
FUND BALANCES					
Nonspendable:					
Prepaid Items	\$ 0	\$ 13,924	\$ 0	\$ 0	\$ 13,924
Restricted:					
Restricted for General Government	37,322	0	0	0	37,322
Restricted for Finance	9,712	0	0	0	9,712
Restricted for Administration of Justice	75,218	0	0	0	75,218
Restricted for Public Safety	410,840	0	55,167	0	466,007
Restricted for Public Health and Welfare	12,747	0	0	0	12,747
Restricted for Debt Service	0	0	565,665	0	565,665
Committed:					
Committed for Finance	0	0	76,894	0	76,894
Committed for Highways/Public Works	0	1,042,809	0	0	1,042,809
Committed for Capital Projects	0	0	137,232	0	137,232
Assigned:					
Assigned for General Government	660	0	0	0	660
Assigned for Public Safety	993	0	0	0	993
Assigned for Public Health and Welfare	2,201	0	0	0	2,201
Assigned for Other Operations	9,226	0	0	0	9,226
Unassigned	1,577,058	0	0	0	1,577,058
Total Fund Balances	\$ 2,135,977	\$ 1,056,733	\$ 834,958	\$ 0	\$ 4,027,668
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,096,362	\$ 1,226,327	\$ 836,349	\$ 0	\$ 9,159,038

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 4,027,668	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,467,092	
Add: buildings and improvements net of accumulated depreciation		3,305,403	
Add: infrastructure net of accumulated depreciation		13,700,345	
Add: other capital assets net of accumulated depreciation		<u>2,415,861</u>	20,888,701
(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	\$	(292,210)	
Less: other loan payable		(116,978)	
Less: capital lease payable		(18,012)	
Less: bonds payable		(6,475,000)	
Add: debt to be contributed by the School Department		116,978	
Add: deferred amount on refunding		160,206	
Less: other deferred revenue - premium on debt		(118,643)	
Less: compensated absences payable		(724,522)	
Less: accrued interest on bonds, notes, and capital lease		(37,607)	
Less: net pension liability - agent plan		<u>(395,599)</u>	(7,901,387)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	1,135,227	
Less: deferred inflows of resources related to pensions		<u>(763,465)</u>	371,762
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,253,204</u>
Net position of governmental activities (Exhibit A)			<u>\$ 18,639,948</u>

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

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	Other	Governmental Funds	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,953,424	\$ 770,641	\$ 770,640	\$ 770,640	\$ 6,494,705	
Licenses and Permits	35,411	120	0	0	35,531	
Fines, Forfeitures, and Penalties	171,276	0	25,776	25,776	197,052	
Charges for Current Services	1,594,848	0	295,439	295,439	1,890,287	
Other Local Revenues	212,662	43,119	0	0	255,781	
Fees Received from County Officials	951,279	0	0	0	951,279	
State of Tennessee	2,106,018	2,289,821	0	0	4,395,839	
Federal Government	79,999	0	0	0	79,999	
Other Governments and Citizens Groups	277,815	0	732,309	0	1,010,124	
Total Revenues	\$ 10,382,732	\$ 3,103,701	\$ 1,824,164	\$ 1,824,164	\$ 15,310,597	

Expenditures

Current:

General Government	\$ 857,006	\$ 0	\$ 0	\$ 0	\$ 857,006
Finance	297,544	0	294,883	294,883	592,427
Administration of Justice	621,533	0	561	561	622,094
Public Safety	3,375,493	0	39,867	39,867	3,415,360
Public Health and Welfare	2,129,949	0	0	0	2,129,949
Social, Cultural, and Recreational Services	87,464	0	0	0	87,464
Agriculture and Natural Resources	116,569	0	0	0	116,569
Other Operations	2,489,967	0	0	0	2,489,967
Highways	0	3,061,921	0	0	3,061,921
Debt Service:					
Principal on Debt	16,993	27,061	556,835	556,835	600,889
Interest on Debt	2,100	1,020	241,676	241,676	244,796
Other Debt Service	0	0	296,812	296,812	296,812

(Continued)

Exhibit C-3

Hardeman 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	Other Governmental Funds		
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 0	\$ 0	\$ 782,311	\$	\$ 782,311
Total Expenditures	\$ 9,994,618	\$ 3,090,002	\$ 2,212,945	\$	\$ 15,297,565
Excess (Deficiency) of Revenues Over Expenditures	\$ 388,114	\$ 13,699	\$ (388,781)	\$	\$ 13,032
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 88,375	\$ 0	\$ 0	\$	\$ 88,375
Refunding Debt Issued	0	0	3,940,000		3,940,000
Premiums on Debt Issued	0	0	72,126		72,126
Insurance Recovery	20,300	0	0		20,300
Transfers In	7,000	0	25,555		32,555
Transfers Out	(25,555)	0	(7,000)		(32,555)
Payments to Refunded Debt Escrow Agent	0	0	(3,921,900)		(3,921,900)
Total Other Financing Sources (Uses)	\$ 90,120	\$ 0	\$ 108,781	\$	\$ 198,901
Net Change in Fund Balances	\$ 478,234	\$ 13,699	\$ (280,000)	\$	\$ 211,933
Fund Balance, July 1, 2014	1,657,743	1,043,034	1,114,958		3,815,735
Fund Balance, June 30, 2015	\$ 2,135,977	\$ 1,056,733	\$ 834,958	\$	\$ 4,027,668

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 211,933
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,771,221	
Less: current-year depreciation expense	<u>(1,875,342)</u>	(104,121)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: assets donated and capitalized	\$ 107,872	
Less: book value of capital assets disposed	<u>(2,016)</u>	105,856
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 1,253,204	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(1,042,068)</u>	211,136
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Add: principal payments on bonds	\$ 501,000	
Add: principal payments on notes	72,263	
Add: principal payments on capital lease	16,993	
Add: principal payments on other loan	10,633	
Less: note proceeds	(88,375)	
Less: refunding bond proceeds	(3,940,000)	
Add: refunded bond principal	3,845,000	
Less: contributions from the School Department for other loan	(10,633)	
Add: change in deferred amount on refunding debt	59,574	
Less: change in premium on debt issuances	<u>(67,249)</u>	399,206
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 22,078	
Change in net pension liability	(242,149)	
Change in deferred outflows related to pensions	1,135,227	
Change in deferred inflows related to pensions	(763,465)	
Change in compensated absences payable	<u>(85,787)</u>	<u>65,904</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 889,914</u>

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

Exhibit C-5

Hardeman County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 4,953,424	\$ 0	\$ 4,953,424	\$ 4,578,049	\$ 4,578,049	\$ 375,375
Licenses and Permits	35,411	0	35,411	20,740	35,740	(329)
Fines, Forfeitures, and Penalties	171,276	0	171,276	157,512	157,512	13,764
Charges for Current Services	1,594,848	0	1,594,848	1,650,000	1,650,000	(55,152)
Other Local Revenues	212,662	0	212,662	169,543	169,543	43,119
Fees Received from County Officials	951,279	0	951,279	1,295,000	1,295,000	(343,721)
State of Tennessee	2,106,018	0	2,106,018	2,563,093	2,583,823	(477,805)
Federal Government	79,999	0	79,999	58,014	58,014	21,985
Other Governments and Citizens Groups	277,815	0	277,815	268,000	282,000	(4,185)
Total Revenues	\$ 10,382,732	\$ 0	\$ 10,382,732	\$ 10,759,951	\$ 10,809,681	\$ (426,949)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	10,500	0	10,500	12,155	12,155	1,655
Board of Equalization	665	0	665	1,000	1,000	335
Beer Board	105	0	105	1,000	1,000	895
Budget and Finance Committee	1,960	0	1,960	3,200	3,200	1,240
Other Boards and Committees	4,445	0	4,445	4,500	4,500	55
County Mayor/Executive	167,841	0	167,841	176,049	190,299	22,458
County Attorney	11,092	0	11,092	16,121	11,771	679
Election Commission	175,070	0	175,070	209,948	209,948	34,878
Register of Deeds	145,167	660	145,827	155,839	155,839	10,012
Development	73,000	0	73,000	69,200	85,320	12,320
County Buildings	199,367	0	199,367	189,193	215,193	15,826
Other General Administration	62,319	0	62,319	35,000	62,320	1
Preservation of Records	5,475	0	5,475	8,700	8,700	3,225

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance</u>						
Accounting and Budgeting	\$ 3,750	\$ 0	\$ 3,750	\$ 18,000	\$ 3,750	\$ 0
Purchasing	3,600	0	3,600	3,600	3,600	0
Property Assessor's Office	208,727	0	208,727	218,029	218,029	9,302
Reappraisal Program	26,400	0	26,400	34,385	34,385	7,985
County Trustee's Office	20,575	0	20,575	159,452	47,022	26,447
County Clerk's Office	34,492	0	34,492	215,230	49,462	14,970
<u>Administration of Justice</u>						
Circuit Court	265,286	0	265,286	298,935	298,935	33,649
General Sessions Court	121,519	0	121,519	118,987	125,837	4,318
Drug Court	21,883	0	21,883	4,500	25,500	3,617
Chancery Court	162,303	0	162,303	165,832	166,796	4,493
Juvenile Court	41,662	0	41,662	46,178	43,678	2,016
Victims Assistance Programs	8,880	0	8,880	10,000	10,000	1,120
<u>Public Safety</u>						
Sheriff's Department	1,778,486	475	1,778,961	1,816,748	1,894,714	115,753
Workhouse	1,375,812	518	1,376,330	1,405,764	1,435,764	59,434
Juvenile Services	34,088	0	34,088	37,189	37,189	3,101
Fire Prevention and Control	137,400	0	137,400	138,000	138,000	600
Civil Defense	17,258	0	17,258	17,290	29,337	12,079
County Coroner/Medical Examiner	32,449	0	32,449	50,000	50,000	17,551
<u>Public Health and Welfare</u>						
Local Health Center	68,060	0	68,060	81,120	81,120	13,060
Rabies and Animal Control	50,756	0	50,756	56,050	66,506	15,750
Ambulance/Emergency Medical Services	1,450,566	261	1,450,827	1,693,743	1,693,743	242,916
Dental Health Program	162,608	0	162,608	245,050	245,050	82,442
Alcohol and Drug Programs	3,500	0	3,500	3,500	3,500	0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Other Local Health Services	\$ 2,816	\$ 0	\$ 2,816	\$ 2,816	\$ 2,816	\$ 0
Regional Mental Health Center	3,500	0	3,500	3,500	3,500	0
Sanitation Education/Information	36,522	0	36,522	38,600	38,600	2,078
Waste Pickup	180,876	0	180,876	272,288	255,688	74,812
Convenience Centers	161,468	0	161,468	180,071	180,671	19,203
Other Public Health and Welfare	9,277	1,940	11,217	26,918	26,918	15,701
<u>Social, Cultural, and Recreational Services</u>						
Libraries	87,464	0	87,464	88,464	88,464	1,000
<u>Agriculture and Natural Resources</u>						
Agricultural Extension Service	83,534	0	83,534	90,295	90,295	6,761
Forest Service	2,000	0	2,000	2,000	2,000	0
Soil Conservation	31,035	0	31,035	34,184	34,184	3,149
<u>Other Operations</u>						
Industrial Development	50,606	0	50,606	57,805	57,805	7,199
Housing and Urban Development	63,355	0	63,355	58,014	76,514	13,159
Airport	166,587	9,226	175,813	467,340	467,340	291,527
Veterans' Services	12,363	0	12,363	12,265	12,715	352
Contributions to Other Agencies	32,725	0	32,725	35,700	35,700	2,975
Employee Benefits	1,780,279	0	1,780,279	1,940,556	1,940,556	160,277
Miscellaneous	384,052	0	384,052	376,579	395,505	11,453
<u>Principal on Debt</u>						
General Government	16,993	0	16,993	0	16,993	0
<u>Interest on Debt</u>						
General Government	2,100	0	2,100	0	2,100	0
Total Expenditures	\$ 9,994,618	\$ 13,080	\$ 10,007,698	\$ 11,406,882	\$ 11,391,526	\$ 1,383,828

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 388,114	\$ (13,080)	\$ 375,034	\$ (646,931)	\$ (581,845)	\$ 956,879
Other Financing Sources (Uses)						
Notes Issued	\$ 88,375	\$ 0	\$ 88,375	\$ 0	\$ 88,375	\$ 0
Insurance Recovery	20,300	0	20,300	20,000	20,000	300
Transfers In	7,000	0	7,000	0	7,000	0
Transfers Out	(25,555)	0	(25,555)	(10,750)	(25,750)	195
Total Other Financing Sources	\$ 90,120	\$ 0	\$ 90,120	\$ 9,250	\$ 89,625	\$ 495
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ 478,234	\$ (13,080)	\$ 465,154	\$ (637,681)	\$ (492,220)	\$ 957,374
	1,657,743	0	1,657,743	1,704,520	1,704,520	(46,777)
Fund Balance, June 30, 2015	\$ 2,135,977	\$ (13,080)	\$ 2,122,897	\$ 1,066,839	\$ 1,212,300	\$ 910,597

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

Exhibit C-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 770,641	\$ 825,000	\$ 825,000	\$ (54,359)
Licenses and Permits	120	0	0	120
Charges for Current Services	0	120	120	(120)
Other Local Revenues	43,119	11,500	11,500	31,619
State of Tennessee	2,289,821	2,662,000	2,662,000	(372,179)
Total Revenues	<u>\$ 3,103,701</u>	<u>\$ 3,498,620</u>	<u>\$ 3,498,620</u>	<u>\$ (394,919)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 225,852	\$ 228,804	\$ 241,804	\$ 15,952
Highway and Bridge Maintenance	1,006,016	1,133,650	1,120,650	114,634
Operation and Maintenance of Equipment	517,504	612,200	612,200	94,696
Asphalt Plant Operations	636,206	999,500	999,500	363,294
Other Charges	66,759	94,100	94,100	27,341
Employee Benefits	423,587	464,200	464,200	40,613
Capital Outlay	185,997	472,000	472,000	286,003
<u>Principal on Debt</u>				
Highways and Streets	27,061	27,060	27,061	0
<u>Interest on Debt</u>				
Highways and Streets	1,020	1,021	1,020	0
Total Expenditures	<u>\$ 3,090,002</u>	<u>\$ 4,032,535</u>	<u>\$ 4,032,535</u>	<u>\$ 942,533</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,699</u>	<u>\$ (533,915)</u>	<u>\$ (533,915)</u>	<u>\$ 547,614</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 3,000	\$ 3,000	\$ (3,000)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ (3,000)</u>
Net Change in Fund Balance	\$ 13,699	\$ (530,915)	\$ (530,915)	\$ 544,614
Fund Balance, July 1, 2014	1,043,034	1,008,333	1,008,333	34,701
Fund Balance, June 30, 2015	<u>\$ 1,056,733</u>	<u>\$ 477,418</u>	<u>\$ 477,418</u>	<u>\$ 579,315</u>

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

Exhibit D-1

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

Business-type
 Activities -
 Major
 Enterprise
 Fund

 Solid Waste
 Disposal
 Fund

ASSETS

Current Assets:	
Cash	\$ 340
Equity in Pooled Cash and Investments	2,826,923
Accounts Receivable	589,931
Allowance for Uncollectibles	(182,879)
Due from Other Funds	8,533
Cash Shortage	3,063
Total Current Assets	<u>\$ 3,245,911</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 219,838
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,514,610
Machinery and Equipment	113,766
Total Noncurrent Assets	<u>\$ 1,848,214</u>
Total Assets	<u>\$ 5,094,125</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Changes in Experience	\$ 52,875
Pension Contributions After Measurement Date	17,251
Total Deferred Outflows of Resources	<u>\$ 70,126</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 14,614
Payroll Deductions Payable	168
Accrued Leave - Current	5,921
Due to State of Tennessee	71
Accrued Liability for Landfill Closure/Postclosure Care Costs	3,490
Total Current Liabilities	<u>\$ 24,264</u>
Noncurrent Liabilities:	
Net Pension Liability - Agent Plan	\$ 29,777
Accrued Leave - Long-term	29,847
Accrued Liability for Landfill Closure/Postclosure Care Costs	2,612,346
Total Noncurrent Liabilities	<u>\$ 2,671,970</u>
Total Liabilities	<u>\$ 2,696,234</u>

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension Changes in Investment Earnings	\$ 57,463
Total Deferred Inflows of Resources	<u>\$ 57,463</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,848,214
Unrestricted	<u>562,340</u>
Net Position	<u><u>\$ 2,410,554</u></u>

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

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Operating Revenues</u>	
Solid Waste Disposal Fee	\$ 1,389,383
Total Operating Revenues	<u>\$ 1,389,383</u>
<u>Operating Expenses</u>	
County Official/Administrative Officer	\$ 31,872
Laborers	140,552
Clerical Personnel	40,850
Part-time Personnel	12,172
Social Security	13,928
Pensions	22,816
Employee and Dependent Insurance	46,223
Disability Insurance	11,513
Unemployment Compensation	331
Employer Medicare	3,257
Audit Services	766
Communication	7,125
Consultant	61,020
Contracts with Private Agencies	75,159
Maintenance and Repair Services - Buildings	2,093
Maintenance and Repair Services - Equipment	71,746
Maintenance and Repair Services - Vehicles	5,681
Postal Charges	2,963
Travel	258
Disposal Fees	14,236
Custodial Supplies	1,006
Data Processing Supplies	992
Food Supplies	263
Gasoline	36,393
Lubricants	5,141

(Continued)

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Operating Expenses (Cont.)</u>	
Office Supplies	\$ 3,042
Uniforms	2,981
Utilities	45,002
Gravel and Chert	12,133
Other Supplies and Materials	21,970
Liability Insurance	10,034
Refunds	195
Depreciation	140,539
Surcharge	22,517
Landfill Closure/Postclosure Care Costs	52,360
Other Charges	23,569
Solid Waste Equipment	3,752
Other Capital Outlay	6,571
Total Operating Expenses	<u>\$ 953,021</u>
Operating Income	<u>\$ 436,362</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 9,839
Miscellaneous Refunds	675
Solid Waste Grants	33,811
Other State Revenues	8,370
Total Nonoperating Revenues (Expenses)	<u>\$ 52,695</u>
Change in Net Position	\$ 489,057
Net Position, July 1, 2014	1,933,046
Restatement - Pension Liability (see Note I.D.9)	<u>(11,549)</u>
Net Position, June 30, 2015	<u><u>\$ 2,410,554</u></u>

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

Exhibit D-3

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

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,312,016
Payments for Waste Disposal and Maintenance	(779,700)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 532,316 <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Solid Waste Grants	\$ 33,811
Other State Revenues	8,370
Miscellaneous Refunds	675
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$ 42,856 <hr/>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 9,839
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 9,839 <hr/>
Increase (Decrease) in Cash	\$ 585,011
Cash, July 1, 2014	<hr/> 2,242,252 <hr/>
Cash, June 30, 2015	<hr/> \$ 2,827,263 <hr/> <hr/>

(Continued)

Exhibit D-3

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

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income	\$ 436,362
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	140,539
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(66,451)
(Increase) in Due from Other Funds	(8,370)
(Increase) in Cash Shortage	(3,063)
(Decrease) in Accounts Payable	(25,201)
(Decrease) in Payroll Deductions Payable	(369)
Increase in Due to State of Tennessee	71
Increase in Pension Liability	5,565
Increase in Accrued Leave	873
Increase in Accrued Liability for Landfill Closure/Postclosure Costs	<u>52,360</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 532,316</u>
<u>Reconciliation of Cash With Statement of Net Position</u>	
Cash Per Net Position	\$ 340
Equity in Pooled Cash and Investments Per Net Position	<u>2,826,923</u>
Cash, June 30, 2015	<u>\$ 2,827,263</u>

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

Exhibit E

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,423,628
Due from Other Governments	<u>279,806</u>
Total Assets	<u>\$ 1,703,434</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 279,806
Due to Litigants, Heirs, and Others	<u>1,423,628</u>
Total Liabilities	<u>\$ 1,703,434</u>

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

HARDEMAN COUNTY, TENNESSEE

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hardeman 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 Hardeman County:

A. Reporting Entity

Hardeman County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Hardeman 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 Hardeman County School Department operates the public school system in the county, and the voters of Hardeman 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 Hardeman County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardeman County, and the Hardeman 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 Hardeman 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 Hardeman County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the

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

Administrative Office:

Hardeman County Emergency Communications District
P.O. Box 355
Bolivar, TN 38008

Related Organizations – The Hardeman County Industrial Development Board and the Hardeman County Correctional Facilities Corporation are related organizations of Hardeman County. The county mayor nominates and the Hardeman County Commission confirms the board members, but the county’s accountability for the organizations 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 Hardeman 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.

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

Separate financial statements are provided for governmental funds, the proprietary fund (enterprise fund), 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 Hardeman 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. Hardeman County only reports one proprietary fund, a major enterprise fund.

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

Hardeman County reports the following major governmental funds:

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

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

Hardeman County reports the following major proprietary fund:

Solid Waste Disposal Fund – This fund accounts for the transactions of the county-owned landfill.

Additionally, Hardeman County reports the following fund types:

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

Capital Projects Fund – The General Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Hardeman County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do,

however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Hardeman County School Department reports the following major governmental fund:

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.

Additionally, the Hardeman County School Department reports the following fund type:

Special Revenue Funds – These funds 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.

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, to account for the operations of the county's landfill. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations.

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 hand and 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 Hardeman County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hardeman 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.

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, property taxes, and solid waste receivables are shown with an allowance for uncollectibles. Ambulance and solid waste receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 1.96 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Machinery and Equipment	5
Other Capital Assets	5 - 40
Infrastructure:	
Roads	10 - 20
Bridges	5 - 20

5. 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. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for the deferred charge on refunding and for pension changes in experience, changes in proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 items are from the following sources: current and delinquent property taxes, pension changes in investment earnings, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

It is the policy of the county and the School Department to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since neither the county nor the School Department has a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental

funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

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

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

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

8. 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.

The government-wide Statement of Net Position reports \$1,428,831 in restricted net position, of which \$399,777 is restricted by enabling legislation.

As of June 30, 2015, Hardeman County had \$6,591,978 in outstanding debt for capital purposes for the discretely presented Hardeman County School Department. This debt is a liability of Hardeman County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardeman County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of

Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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

9. Restatements

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement to Hardeman County's net position totaling (\$164,999) has been recognized in the Statement of Activities for the governmental activities (\$153,450) and the business-type activities (\$11,549). In addition, a restatement to the Hardeman County School Department's beginning net position totaling (\$5,847,575) has been recognized in the Statement of Activities for liabilities of the pension agent plan (\$201,748) and the pension cost-sharing plan (\$5,645,827).

E. Pension Plans

Primary Government

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

Discretely Presented Hardeman County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hardeman County School Department

Exhibit I-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 Hardeman County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortage – Current Year

The Solid Waste Office had a cash shortage of \$3,062.72 at June 30, 2015. Details of this cash shortage are discussed in the Schedule of Findings and Questions Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hardeman County and the Hardeman County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets

or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2015, Hardeman County had the following investments carried at fair value. All investments are in the county

trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hardeman County and the discretely presented Hardeman County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
State Treasurer's Investment Pool	3 to 139	N/A	\$ 1,908,070

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Hardeman County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hardeman County has no investment policy that would further limit its investment choices. As of June 30, 2015, Hardeman County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 1,467,092	\$ 0	\$ 0	\$ 1,467,092
Total Capital Assets Not Depreciated	\$ 1,467,092	\$ 0	\$ 0	\$ 1,467,092

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,878,638	\$ 0	\$ 0	\$ 8,878,638
Infrastructure	22,010,799	1,439,498	0	23,450,297
Other Capital Assets	6,807,636	439,595	(177,310)	7,069,921
Total Capital Assets Depreciated	<u>\$ 37,697,073</u>	<u>\$ 1,879,093</u>	<u>\$ (177,310)</u>	<u>\$ 39,398,856</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,353,243	\$ 219,992	\$ 0	\$ 5,573,235
Infrastructure	8,566,868	1,183,084	0	9,749,952
Other Capital Assets	4,357,088	472,266	(175,294)	4,654,060
Total Accumulated Depreciation	<u>\$ 18,277,199</u>	<u>\$ 1,875,342</u>	<u>\$ (175,294)</u>	<u>\$ 19,977,247</u>
Total Capital Assets Depreciated, Net	<u>\$ 19,419,874</u>	<u>\$ 3,751</u>	<u>\$ (2,016)</u>	<u>\$ 19,421,609</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,886,966</u>	<u>\$ 3,751</u>	<u>\$ (2,016)</u>	<u>\$ 20,888,701</u>

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

Governmental Activities:

General Government	\$ 195,933
Finance	2,145
Administration of Justice	21,394
Public Safety	120,801
Public Health and Welfare	144,227
Social, Cultural, and Recreational Services	9,550
Highways/Public Works	<u>1,381,292</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,875,342</u>

Business-type Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	\$ 219,838	\$ 0	\$ 219,838
Total Capital Assets Not Depreciated	<u>\$ 219,838</u>	<u>\$ 0</u>	<u>\$ 219,838</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 2,482,217	\$ 0	\$ 2,482,217
Machinery and Equipment	761,612	0	761,612
Total Capital Assets Depreciated	<u>\$ 3,243,829</u>	<u>\$ 0</u>	<u>\$ 3,243,829</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 878,002	\$ 89,605	\$ 967,607
Machinery and Equipment	596,912	50,934	647,846
Total Accumulated Depreciation	<u>\$ 1,474,914</u>	<u>\$ 140,539</u>	<u>\$ 1,615,453</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,768,915</u>	<u>\$ (140,539)</u>	<u>\$ 1,628,376</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,988,753</u>	<u>\$ (140,539)</u>	<u>\$ 1,848,214</u>

There were no decreases in capital assets to report during the year ended June 30, 2015. Depreciation expense was charged to functions of the business-type activities as follows:

Business-type Activities:

Solid Waste Disposal	<u>\$ 140,539</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 140,539</u>

Discretely Presented Hardeman County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 358,116	\$ 0	\$ 0	\$ 358,116
Total Capital Assets Not Depreciated	<u>\$ 358,116</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,116</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 31,587,032	\$ 358,076	\$ 0	\$ 31,945,108
Other Capital Assets	7,992,417	627,520	(90,697)	8,529,240
Total Capital Assets Depreciated	<u>\$ 39,579,449</u>	<u>\$ 985,596</u>	<u>\$ (90,697)</u>	<u>\$ 40,474,348</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 18,350,478	\$ 931,426	\$ 0	\$ 19,281,904
Other Capital Assets	5,637,059	463,911	(29,783)	6,071,187
Total Accumulated Depreciation	<u>\$ 23,987,537</u>	<u>\$ 1,395,337</u>	<u>\$ (29,783)</u>	<u>\$ 25,353,091</u>
Total Capital Assets Depreciated, Net	<u>\$ 15,591,912</u>	<u>\$ (409,741)</u>	<u>\$ (60,914)</u>	<u>\$ 15,121,257</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,950,028</u>	<u>\$ (409,741)</u>	<u>\$ (60,914)</u>	<u>\$ 15,479,373</u>

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

Governmental Activities:

Instruction	\$ 689,907
Support Services	628,852
Operation of Non-instructional Services	<u>76,578</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,395,337</u>

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,181
Solid Waste Disposal	General	8,533
Discretely Presented School		
Department:		
General Purpose School	Nonmajor governmental	38,568

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 receivable in the discretely presented General Purpose School Fund totaling \$38,568 was in transit from the School Federal Projects Fund at June 30, 2015.

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:	Component Unit:	
General Debt Service	School Department:	
	General Purpose School	\$ 116,978

The due to the primary government is the balance of the other loan issued by the county for the School Department. The School Department has agreed to contribute the funds necessary to retire this debt obligation.

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 25,555
Nonmajor governmental fund	7,000	0
	<u>\$ 7,000</u>	<u>\$ 25,555</u>

Discretely Presented Hardeman County School Department

Transfers Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Fund
General Purpose School Fund	\$ 0	\$ 6,926
Nonmajor governmental fund	38,568	0
Total	<u>\$ 38,568</u>	<u>\$ 6,926</u>

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

D. Capital Lease

On April 17, 2014, Hardeman County entered into a two-year lease-purchase agreement for sheriff vehicles. The terms of the agreement require total lease payments of \$54,098 plus interest of six percent. Title to the vehicles transfers to Hardeman County at the end of the lease period. The lease payments are made from the General Fund.

The assets acquired through the capital lease are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Vehicles	\$ 54,098
Less: Accumulated Depreciation	<u>(13,235)</u>
Total Book Value	<u><u>\$ 40,863</u></u>

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

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2016	<u>\$ 19,093</u>
Total Minimum Lease Payments	\$ 19,093
Less: Amount Representing Interest	<u>(1,081)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 18,012</u></u>

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loan

Hardeman County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds 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 the other loan are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and the other loan outstanding were issued for original terms of up to 17 years for bonds, up to 12 years for notes, and up to nine years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and the other loan included in long-term debt as of June 30, 2015, will be retired from the General, Highway/Public Works and General Debt Service funds.

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

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	2 to 3	% 4-1-30	\$ 2,815,000	\$ 2,535,000
General Obligation Bonds - Refunding	2	4-1-24	3,940,000	3,940,000
Capital Outlay Notes	2.5 to 4.45	6-1-20	558,375	292,210
Other Loan	0	11-1-21	127,611	116,978
Capital Lease	6	4-17-16	54,098	18,012

During the 2011-2012 year, Hardeman County entered into an agreement with the Tennessee Energy Efficient Schools Council to receive funding from the Energy Efficient Schools Initiative program. Under this agreement, the program made \$500,000 available for loan to Hardeman County to fund a project to increase energy efficiency in the Hardeman County school system. As of June 30, 2015, Hardeman County had drawn \$127,611 of the available \$500,000 loan. The loan is interest free.

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 545,000	\$ 139,813	\$ 684,813
2017	560,000	128,912	688,912
2018	570,000	117,713	687,713
2019	580,000	106,312	686,312
2020	590,000	94,713	684,713
2021-2025	2,685,000	289,375	2,974,375
2026-2030	945,000	85,500	1,030,500
Total	\$ 6,475,000	\$ 962,338	\$ 7,437,338

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 77,561	\$ 10,900	\$ 88,461
2017	64,449	8,415	72,864
2018	70,200	6,105	76,305
2019	40,000	3,560	43,560
2020	40,000	1,780	41,780
Total	\$ 292,210	\$ 30,760	\$ 322,970

Year Ending June 30	Other Loan Principal
2016	\$ 18,228
2017	18,228
2018	18,228
2019	18,228
2020	18,228
2021-2022	<u>25,838</u>
Total	<u>\$ 116,978</u>

There is \$565,665 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, the other loan, and the capital lease, totaled \$253, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-15</u>
<u>Other Loan Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficient School Initiative	\$ 116,978

Changes in Long-term Obligations

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

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Other Loan</u>
Balance, July 1, 2014	\$ 6,881,000	\$ 276,098	\$ 127,611
Additions	3,940,000	88,375	0
Reductions	<u>(4,346,000)</u>	<u>(72,263)</u>	<u>(10,633)</u>
Balance, June 30, 2015	<u>\$ 6,475,000</u>	<u>\$ 292,210</u>	<u>\$ 116,978</u>
Balance Due Within One Year	<u>\$ 545,000</u>	<u>\$ 77,561</u>	<u>\$ 18,228</u>

	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>*Restated Net Pension Liability - Agent Plan</u>
Balance, July 1, 2014	\$ 35,005	\$ 638,735	\$ 153,450
Additions	0	246,306	1,980,431
Reductions	<u>(16,993)</u>	<u>(160,519)</u>	<u>(1,738,282)</u>
Balance, June 30, 2015	<u>\$ 18,012</u>	<u>\$ 724,522</u>	<u>\$ 395,599</u>
Balance Due Within One Year	<u>\$ 18,012</u>	<u>\$ 140,536</u>	<u>\$ 0</u>

*See Note I.D.9 for restatement.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 8,022,321
Less: Balance Due Within One Year	(799,337)
Add: Unamortized Premium on Debt	<u>118,643</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 7,341,627</u>

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Current Refunding

On April 1, 2015, Hardeman County issued \$3,940,000 in general obligation refunding bonds for a current refunding of \$3,845,000 in Series 2005 school refunding bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. Also, as a

result of the refunding, total debt service payments over the next nine years will be reduced by \$303,566, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$282,278 was obtained.

Hardeman County Solid Waste Disposal Fund (enterprise fund)

Changes in Long-term Obligations

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

Business-type Activities:

	Landfill Closure/ Postclosure Care Costs	Compensated Absences	*Restated Net Pension Liability - Agent Plan
Balance, July 1, 2014	\$ 2,563,476	\$ 34,895	\$ 11,549
Additions	52,360	5,888	149,065
Reductions	0	(5,015)	(130,837)
Balance, June 30, 2015	<u>\$ 2,615,836</u>	<u>\$ 35,768</u>	<u>\$ 29,777</u>
Balance Due Within One Year	<u>\$ 3,490</u>	<u>\$ 5,921</u>	<u>\$ 0</u>

*See Note I.D.9 for Restatement.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 2,681,381
Less: Balance Due Within One Year	<u>(9,411)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,671,970</u>

Discretely Presented Hardeman County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 135,923	\$ 826,013
Additions	80,440	231,852
Reductions	(61,392)	(175,114)
Balance, June 30, 2015	<u>\$ 154,971</u>	<u>\$ 882,751</u>
Balance Due Within One Year	<u>\$ 37,417</u>	<u>\$ 0</u>

	*Restated Net Pension Liability - Agent Plan
Balance, July 1, 2014	\$ 201,748
Additions	2,603,770
Reductions	(2,285,405)
Balance, June 30, 2015	<u>\$ 520,113</u>
Balance Due Within One Year	<u>\$ 0</u>

*See Note I.D.9 for Restatement.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 1,557,835
Less: Balance Due Within One Year	<u>(37,417)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,520,418</u>

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

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

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

of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$134,830 and \$34,559, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

Hardeman County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available for general operating expenses coming due before current tax collections and other revenue sources. Short term debt activity for the year ended June 30, 2015, was as follows:

	Balance 7-1-14	Issued	Paid	Balance 6-30-15
Tax Anticipation Note	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

It is the policy of the county to carry commercial insurance for active employee's health and accident coverage. Retirees are not allowed to continue coverage. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

Liability, Property, Casualty, and Workers' Compensation Insurance

Hardeman County 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 county pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Discretely Presented Hardeman County School Department

Employee Health Insurance

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.

Liability, Property, Casualty, and Workers' Compensation Insurance

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 an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

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

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

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

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

C. Contingent Liabilities

Hardeman County is contingently liable for certain Local Government Public Improvement Bonds, Series 2008A and 2008B, of the Hardeman County Industrial Development Board. Hardeman County would become liable for these bonds and the interest thereon in the event of default by the Industrial Development Board. The principal of these public improvement bonds is reflected on the financial statements of the Hardeman County Industrial Development Board. As of June 30, 2015, future principal and interest requirements were \$17,250,000 and \$14,840,000, respectively.

The county and School Department are involved in several pending lawsuits. Management advised that any potential claims not covered by insurance resulting from such litigation should not materially affect the financial statements.

D. Change in Administration

On August 31, 2014, Willie Spencer left the Office of County Mayor and was succeeded by Jimmy Sain.

E. Landfill Closure/Postclosure Care Costs

Hardeman County has active permits on file with the state Department of Environment and Conservation for a sanitary landfill and a bailing/recycling center. 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 closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,615,836 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 92 percent of the estimated capacity of the extension landfill site (\$1,161,552) and for the original landfill site closed in 1999 (\$1,454,284) and represents estimates of the cost to perform all closure and postclosure care in 2015. The county will recognize the remaining estimated costs of closure and postclosure care of \$101,004 on the operating landfill as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Bolivar/Hardeman County Library is jointly owned by Hardeman County and the City of Bolivar and is operated by an appointed board. The board comprises seven members, four of whom are appointed by the Hardeman County Mayor. The remaining three members are appointed by the Bolivar City Mayor. Hardeman County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. Hardeman County contributed \$80,314 to the operations of the library during the year ended June 30, 2015.

Hardeman County does not have an equity interest in the above noted joint venture. Complete financial statements for the Bolivar/Hardeman County Library can be obtained from its administrative office at the following address:

Administrative Office:

Bolivar/Hardeman County Library
213 North Washington Street
Bolivar, TN 38008

G. Retirement Commitments

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Hardeman County and non-certified employees of the discretely presented Hardeman County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 44.99 percent and the non-certified employees of the discretely present School Department comprise 55.01 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. *Tennessee Code Annotated*, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit

at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPA is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	189
Inactive Employees Entitled to But Not Yet Receiving Benefits	342
Active Employees	<u>369</u>
 Total	 <u><u>900</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Hardeman County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hardeman County were \$737,060 based on a rate of 8.91 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hardeman County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

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

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

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

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 26,213,977	\$ 25,079,724	\$ 1,134,253
Changes for the year:			
Service Cost	\$ 720,165	\$ 0	\$ 720,165
Interest	1,984,478	0	1,984,478
Differences Between Expected and Actual Experience	2,014,756	0	2,014,756
Contributions-Employer	0	767,506	(767,506)
Contributions- Employees	0	0	0
Net Investment Income	0	4,154,524	(4,154,524)
Benefit Payments, Including Refunds of Employee Contributions	(948,864)	(948,864)	0
Administrative Expense	0	(13,867)	13,867
Other Changes	0	0	0
Net Changes	\$ 3,770,535	\$ 3,959,299	\$ (188,764)
Balance, June 30, 2014	\$ 29,984,512	\$ 29,039,023	\$ 945,489

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	44.99%	\$ 13,490,032	\$ 13,064,656	\$ 425,376
School Department	55.01%	16,494,480	15,974,367	520,113
Total		\$ 29,984,512	\$ 29,039,023	\$ 945,489

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

	1% Decrease	Current Discount Rate	1% Increase
<u>Hardeman County</u>	6.5%	7.5%	8.5%
Net Pension Liability	\$ 4,588,685	\$ 945,489	\$ (2,082,382)

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

Pension Expense. For the year ended June 30, 2015, Hardeman County recognized pension expense of \$724,472.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,678,963	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,824,693
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>737,060</u>	<u>N/A</u>
Total	<u>\$ 2,416,023</u>	<u>\$ 1,824,693</u>

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

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 1,205,353	\$ 820,928
School Department	1,210,670	1,003,765
Total	\$ 2,416,023	\$ 1,824,693

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2016	\$ (120,380)
2017	(120,380)
2018	(120,380)
2019	(120,380)
2020	335,793
Thereafter	0

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

Discretely Presented Hardeman County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Hardeman County and non-certified employees of the discretely presented Hardeman County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 44.99 percent and the non-certified employees of the discretely present School Department comprise 55.01 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$39,735, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	
LEA's Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 39,735	N/A

The Hardeman County School Department's employer contributions of \$39,735 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental

entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Hardeman County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,536,448, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Assets. At June 30, 2015, the Hardeman County School Department reported an asset of \$71,056 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Hardeman County School Department’s proportion of the net pension asset was based on Hardeman County School Department’s employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, Hardeman County School’s proportion was 0.437282 percent. The proportion measured as of June 30, 2013, was 0.435694 percent.

Pension Income. For the year ended June 30, 2015, the Hardeman County School Department recognized a pension income of \$57,206.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 172,507	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,854,586
Changes in Proportion and Differences Between LEA's Contributions and Proportionate Share of Contributions	22,402	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2014	<u>1,536,448</u>	<u>N/A</u>
Total	<u>\$ 1,731,357</u>	<u>\$ 5,854,586</u>

The Hardeman County School Department's employer contributions of \$1,536,448 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2016	\$ (1,431,162)
2017	(1,431,162)
2018	(1,431,162)
2019	(1,431,162)
2020	32,485
Thereafter	32,485

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

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

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012,

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 11,984,445	\$ (71,056)	\$ (10,051,705)

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

H. Other Postemployment Benefits (OPEB)

Discretely Presented Hardeman County School Department

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization 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 plan is 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 the plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides 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. During the year ended June 30, 2015, the discretely presented Hardeman County School Department contributed \$175,114 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 231,000
Interest on the NOPEBO	33,041
Adjustment to the ARC	(32,189)
Annual OPEB cost	<hr/> \$ 231,852
Less: Amount of contribution	(175,114)
Increase/decrease in NOPEBO	\$ 56,738
Net OPEB obligation, 7-1-14	<hr/> 826,013
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 882,751

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 377,411	53 %	\$ 823,544
6-30-14	"	223,849	99	826,013
6-30-15	"	231,852	76	882,751

Funded Status and Funding Progress

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

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 2,340,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,340,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 18,972,703
UAAL as a % of covered payroll	12%

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 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 health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The rate includes 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

Offices of County Mayor, Highway Superintendent, and Director of Schools

Purchasing procedures for all departments, agencies, and offices of Hardeman County are established by Chapter 90, Private Acts of 1989, as amended. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated (TCA)*. Purchasing procedures for the School Department are also governed by provisions of purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*. Chapter 90, Private Acts of 1989, as amended, designates the county mayor as the county purchasing agent and authorizes the mayor to make purchases for all agencies, offices, and departments of the county, except for purchases that cost less than \$10,000, which may be made directly by the highway superintendent and director of schools. These statutes also require the issuance of purchase orders and the solicitation of bids through newspaper advertisements for all purchases exceeding \$10,000 for the Offices of County Mayor, Highway Superintendent, and Director of Schools.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 720,165
Interest	1,984,478
Differences Between Actual and Expected Experience	2,014,756
Benefit Payments, Including Refunds of Employee Contributions	<u>(948,864)</u>
Net Change in Total Pension Liability (Asset)	\$ 3,770,535
Total Pension Liability (Asset), Beginning	<u>26,213,977</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 29,984,512</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 767,506
Net Investment Income	4,154,524
Benefit Payments, Including Refunds of Employee Contributions	(948,864)
Administrative Expense	<u>(13,867)</u>
Net Change in Plan Fiduciary Net Position	\$ 3,959,299
Plan Fiduciary Net Position, Beginning	<u>25,079,724</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 29,039,023</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ 945,489</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.85%
Covered Employee Payroll	\$ 8,623,652
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	10.96%

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

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit F-2

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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 767,506	\$ 737,060
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(767,506)</u>	<u>(737,060)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 8,623,652	\$ 9,980,971
Contributions as a Percentage of Covered Employee Payroll	8.90%	7.38%

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

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit F-3

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

	<u>2015</u>
Actuarially Determined Contribution	\$ 24,834
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(39,735)</u>
Contribution Deficiency (Excess)	<u><u>\$ (14,901)</u></u>
Covered Employee Payroll	\$ 993,375
Contributions as a Percentage of Covered Employee Payroll	4.00%

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

Exhibit F-4

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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,524,099	\$ 1,536,448
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,524,099)</u>	<u>(1,536,448)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 17,163,271	\$ 17,051,738
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.01%

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

Exhibit F-5

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

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.437282%
School Department's Proportionate Share of the Net Pension Asset	\$ 71,056
Covered Employee Payroll	\$ 17,163,271
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

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

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

Exhibit F-6

Hardeman County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Hardeman County School Department
June 30, 2015

(Dollar amounts in thousands)

Plan	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)
Local Education Group	7-1-10	\$ 0	\$ 2,947	\$ 2,947	0 %	\$ 21,381	14 %
"	7-1-11	0	3,586	3,586	0	20,905	17
"	7-1-13	0	2,340	2,340	0	18,973	12

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

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	10 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Debt Service Fund

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

General Debt Service Fund – The General Debt Service Fund is used to account the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund

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

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

Exhibit G-1

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

	Special Revenue Funds		Total	Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees		General Debt Service	General Capital Projects			
Cash	\$ 0	\$ 77,830	\$ 77,830	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,830
Equity in Pooled Cash and Investments	55,377	0	55,377	565,665	137,232	0	0	758,274
Accounts Receivable	0	245	245	0	0	0	0	245
Total Assets	\$ 55,377	\$ 78,075	\$ 133,452	\$ 565,665	\$ 137,232	\$ 0	\$ 0	\$ 836,349
<u>LIABILITIES</u>								
Accounts Payable	\$ 210	\$ 0	\$ 210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 210
Due to Other Funds	0	1,181	1,181	0	0	0	0	1,181
Total Liabilities	\$ 210	\$ 1,181	\$ 1,391	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,391
<u>FUND BALANCES</u>								
Restricted:								
Restricted for Public Safety	\$ 55,167	\$ 0	\$ 55,167	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,167
Restricted for Debt Service	0	0	0	565,665	0	0	0	565,665
Committed:								
Committed for Finance	0	76,894	76,894	0	0	0	0	76,894
Committed for Capital Projects	0	0	0	0	137,232	0	0	137,232
Total Fund Balances	\$ 55,167	\$ 76,894	\$ 132,061	\$ 565,665	\$ 137,232	\$ 0	\$ 0	\$ 834,958
Total Liabilities and Fund Balances	\$ 55,377	\$ 78,075	\$ 133,452	\$ 565,665	\$ 137,232	\$ 0	\$ 0	\$ 836,349

Exhibit G-2

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

	Special Revenue Funds				Total	Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	General Debt Service	General Capital Projects		General Debt Service	General Capital Projects	Total		
								Capital Projects	Nonmajor Governmental Funds	
<u>Revenues</u>										
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 770,640	\$ 770,640	\$ 770,640	\$ 770,640
Fines, Forfeitures, and Penalties	25,776	0	25,776	0	25,776	0	0	0	25,776	25,776
Charges for Current Services	0	295,439	295,439	0	295,439	0	0	0	295,439	295,439
Other Governments and Citizens Groups	0	0	0	0	0	732,309	0	0	732,309	732,309
Total Revenues	\$ 25,776	\$ 295,439	\$ 321,215	\$ 321,215	\$ 321,215	\$ 732,309	\$ 770,640	\$ 770,640	\$ 1,824,164	\$ 1,824,164
<u>Expenditures</u>										
Current:										
Finance	\$ 0	\$ 294,883	\$ 294,883	\$ 0	\$ 294,883	\$ 0	\$ 0	\$ 0	\$ 294,883	\$ 294,883
Administration of Justice	0	561	561	0	561	0	0	0	561	561
Public Safety	39,867	0	39,867	0	39,867	0	0	0	39,867	39,867
Debt Service:										
Principal on Debt	0	0	0	0	0	556,835	0	0	556,835	556,835
Interest on Debt	0	0	0	0	0	241,676	0	0	241,676	241,676
Other Debt Service	0	0	0	0	0	296,812	0	0	296,812	296,812
Capital Projects	0	0	0	0	0	0	782,311	782,311	782,311	782,311
Total Expenditures	\$ 39,867	\$ 295,444	\$ 335,311	\$ 335,311	\$ 335,311	\$ 1,095,323	\$ 782,311	\$ 782,311	\$ 2,212,945	\$ 2,212,945
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,091)	\$ (5)	\$ (14,096)	\$ (14,096)	\$ (14,096)	\$ (363,014)	\$ (11,671)	\$ (11,671)	\$ (388,781)	\$ (388,781)
<u>Other Financing Sources (Uses)</u>										
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,940,000	\$ 0	\$ 0	\$ 3,940,000	\$ 3,940,000
Premiums on Debt Issued	0	0	0	0	0	72,126	0	0	72,126	72,126

(Continued)

Exhibit G-2

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

	Special Revenue Funds			Total	Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees			General Debt Service	General Capital Projects			
<u>Other Financing Sources (Uses) (Cont.)</u>									
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,555	\$ 15,000	\$ 25,555		
Transfers Out	(7,000)	0	(7,000)	0	0	0	(7,000)		
Payments to Refunded Debt Escrow Agent	0	0	0	(3,921,900)	0	0	(3,921,900)		
Total Other Financing Sources (Uses)	<u>\$ (7,000)</u>	<u>\$ 0</u>	<u>\$ (7,000)</u>	<u>\$ 100,781</u>	<u>\$ 15,000</u>	<u>\$ 137,232</u>	<u>\$ 834,958</u>		
Net Change in Fund Balances	\$ (21,091)	\$ (5)	\$ (21,096)	\$ (262,233)	\$ 3,329	\$ 133,903	\$ 1,114,958		
Fund Balance, July 1, 2014	76,258	76,899	153,157	827,898	137,232	137,232	834,958		
Fund Balance, June 30, 2015	\$ 55,167	\$ 76,894	\$ 132,061	\$ 565,665	\$ 137,232	\$ 137,232	\$ 834,958		

Exhibit G-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,776	\$ 36,000	\$ 36,000	\$ (10,224)
Total Revenues	\$ 25,776	\$ 36,000	\$ 36,000	\$ (10,224)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 39,867	\$ 69,200	\$ 62,200	\$ 22,333
Total Expenditures	\$ 39,867	\$ 69,200	\$ 62,200	\$ 22,333
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,091)	\$ (33,200)	\$ (26,200)	\$ 12,109
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (7,000)	\$ 0	\$ (7,000)	\$ 0
Total Other Financing Sources	\$ (7,000)	\$ 0	\$ (7,000)	\$ 0
Net Change in Fund Balance	\$ (21,091)	\$ (33,200)	\$ (33,200)	\$ 12,109
Fund Balance, July 1, 2014	76,258	76,260	76,260	(2)
Fund Balance, June 30, 2015	\$ 55,167	\$ 43,060	\$ 43,060	\$ 12,107

Exhibit G-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 0	\$ 3,700	\$ 3,700	\$ (3,700)
Other Governments and Citizens Groups	732,309	0	732,309	0
Total Revenues	<u>\$ 732,309</u>	<u>\$ 3,700</u>	<u>\$ 736,009</u>	<u>\$ (3,700)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 56,202	\$ 56,202	\$ 56,202	\$ 0
Education	500,633	490,000	500,633	0
<u>Interest on Debt</u>				
General Government	10,902	11,733	11,733	831
Education	230,774	230,774	230,774	0
<u>Other Debt Service</u>				
General Government	205,684	1,500	207,500	1,816
Education	91,128	1,000	91,226	98
Total Expenditures	<u>\$ 1,095,323</u>	<u>\$ 791,209</u>	<u>\$ 1,098,068</u>	<u>\$ 2,745</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (363,014)</u>	<u>\$ (787,509)</u>	<u>\$ (362,059)</u>	<u>\$ (955)</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 3,940,000	0	3,940,000	0
Premiums on Debt Issued	72,126	0	72,126	0
Transfers In	10,555	720,774	0	10,555
Payments to Refunded Debt Escrow Agent	(3,921,900)	0	(3,921,900)	0
Total Other Financing Sources	<u>\$ 100,781</u>	<u>\$ 720,774</u>	<u>\$ 90,226</u>	<u>\$ 10,555</u>
Net Change in Fund Balance	\$ (262,233)	\$ (66,735)	\$ (271,833)	\$ 9,600
Fund Balance, July 1, 2014	<u>827,898</u>	<u>827,898</u>	<u>827,898</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 565,665</u>	<u>\$ 761,163</u>	<u>\$ 556,065</u>	<u>\$ 9,600</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, general sessions, and juvenile courts clerk; clerk and master; register of deeds; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,423,628	\$ 1,423,628
Due from Other Governments	279,806	0	279,806
Total Assets	<u>\$ 279,806</u>	<u>1,423,628</u>	<u>\$ 1,703,434</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 279,806	\$ 0	\$ 279,806
Due to Litigants, Heirs, and Others	0	1,423,628	1,423,628
Total Liabilities	<u>\$ 279,806</u>	<u>\$ 1,423,628</u>	<u>\$ 1,703,434</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,689,661	\$ 1,689,661	\$ 0
Due from Other Governments	273,163	279,806	273,163	279,806
Total Assets	\$ 273,163	\$ 1,969,467	\$ 1,962,824	\$ 279,806
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 273,163	\$ 1,969,467	\$ 1,962,824	\$ 279,806
Total Liabilities	\$ 273,163	\$ 1,969,467	\$ 1,962,824	\$ 279,806
 <u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,231,207	\$ 6,554,034	\$ 6,361,613	\$ 1,423,628
Total Assets	\$ 1,231,207	\$ 6,554,034	\$ 6,361,613	\$ 1,423,628
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,231,207	\$ 6,554,034	\$ 6,361,613	\$ 1,423,628
Total Liabilities	\$ 1,231,207	\$ 6,554,034	\$ 6,361,613	\$ 1,423,628
 <u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,231,207	\$ 6,554,034	\$ 6,361,613	\$ 1,423,628
Equity in Pooled Cash and Investments	0	1,689,661	1,689,661	0
Due from Other Governments	273,163	279,806	273,163	279,806
Total Assets	\$ 1,504,370	\$ 8,523,501	\$ 8,324,437	\$ 1,703,434
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 273,163	\$ 1,969,467	\$ 1,962,824	\$ 279,806
Due to Litigants, Heirs, and Others	1,231,207	6,554,034	6,361,613	1,423,628
Total Liabilities	\$ 1,504,370	\$ 8,523,501	\$ 8,324,437	\$ 1,703,434

Hardeman County School Department

This section presents combining and individual fund financial statements for the Hardeman 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 I-1

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 21,029,690	\$ 0	\$ 2,163,614	\$ (18,866,076)
Support Services	11,118,610	121,599	544,945	(10,452,066)
Operation of Non-instructional Services	3,874,093	251,893	2,237,431	(1,384,769)
Total Governmental Activities	\$ 36,022,393	\$ 373,492	\$ 4,945,990	\$ (30,702,911)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 5,744,924
Local Option Sales Taxes				2,211,620
Other Local Taxes				4,926
Grants and Contributions Not Restricted for Specific Programs				23,275,710
Unrestricted Investment Income				3,527
Miscellaneous				74,942
Pension Income				57,206
Total General Revenues				\$ 31,372,855
Change in Net Position				\$ 669,944
Net Position, July 1, 2014				23,561,154
Restatement - Pension Liability (see Note I.D.9)				(5,847,575)
Net Position, June 30, 2015				\$ 18,383,523

Exhibit I-2

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 23	\$ 23
Equity in Pooled Cash and Investments	6,386,633	792,011	7,178,644
Accounts Receivable	1,773	9,034	10,807
Due from Other Governments	643,056	536,427	1,179,483
Due from Other Funds	38,568	0	38,568
Property Taxes Receivable	5,838,487	0	5,838,487
Allowance for Uncollectible Property Taxes	(217,722)	0	(217,722)
Total Assets	<u>\$ 12,690,795</u>	<u>\$ 1,337,495</u>	<u>\$ 14,028,290</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 173,903	\$ 575	\$ 174,478
Payroll Deductions Payable	19,905	2,049	21,954
Total Liabilities	<u>\$ 193,808</u>	<u>\$ 2,624</u>	<u>\$ 196,432</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 5,447,362	\$ 0	\$ 5,447,362
Deferred Delinquent Property Taxes	158,511	0	158,511
Other Deferred/Unavailable Revenue	179,093	0	179,093
Total Deferred Inflows of Resources	<u>\$ 5,784,966</u>	<u>\$ 0</u>	<u>\$ 5,784,966</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 46,259	\$ 3,382	\$ 49,641
Restricted for Operation of Non-instructional Services	0	581,489	581,489
Assigned:			
Assigned for Education	110,794	750,000	860,794
Unassigned	6,554,968	0	6,554,968
Total Fund Balances	<u>\$ 6,712,021</u>	<u>\$ 1,334,871</u>	<u>\$ 8,046,892</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,690,795</u>	<u>\$ 1,337,495</u>	<u>\$ 14,028,290</u>

Exhibit I-3

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

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	8,046,892
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	358,116	
Add: buildings and improvements net of accumulated depreciation		12,663,204	
Add: other capital assets net of accumulated depreciation		<u>2,458,053</u>	15,479,373
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government debt for other loan	\$	(116,978)	
Less: other postemployment benefits liability		(882,751)	
Less: net pension liability - agent plan		(520,113)	
Less: compensated absences payable		<u>(154,971)</u>	(1,674,813)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	2,981,762	
Less: deferred inflows of resources related to pensions		<u>(6,858,351)</u>	(3,876,589)
(4) Net pension assets of the cost-sharing plan are not current financial resources and are therefore not reported in the governmental funds.			71,056
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>337,604</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>18,383,523</u></u>

Exhibit I-4

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

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 7,945,534	\$ 0	\$ 7,945,534
Licenses and Permits	1,805	0	1,805
Charges for Current Services	40,484	292,465	332,949
Other Local Revenues	162,518	5,697	168,215
State of Tennessee	22,323,183	101,989	22,425,172
Federal Government	44,785	5,700,735	5,745,520
Total Revenues	\$ 30,518,309	\$ 6,100,886	\$ 36,619,195
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,711,273	\$ 2,425,237	\$ 20,136,510
Support Services	11,146,753	743,941	11,890,694
Operation of Non-instructional Services	1,054,952	2,868,683	3,923,635
Capital Outlay	358,576	0	358,576
Debt Service:			
Other Debt Service	732,309	0	732,309
Total Expenditures	\$ 31,003,863	\$ 6,037,861	\$ 37,041,724
Excess (Deficiency) of Revenues Over Expenditures	\$ (485,554)	\$ 63,025	\$ (422,529)
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 90,416	\$ 0	\$ 90,416
Transfers In	38,568	6,926	45,494
Transfers Out	(6,926)	(38,568)	(45,494)
Total Other Financing Sources (Uses)	\$ 122,058	\$ (31,642)	\$ 90,416
Net Change in Fund Balances	\$ (363,496)	\$ 31,383	\$ (332,113)
Fund Balance, July 1, 2014	7,075,517	1,303,488	8,379,005
Fund Balance, June 30, 2015	\$ 6,712,021	\$ 1,334,871	\$ 8,046,892

Exhibit I-5

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

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (332,113)
(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	\$ 985,596	
Less: current-year depreciation expense	<u>(1,395,337)</u>	(409,741)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(60,914)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 337,604	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(321,668)</u>	15,936
(4) The contributions of long-term debt (e.g., other loans, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contributions on other loan to primary government		10,633
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (56,738)	
Change in net pension asset - cost-sharing plan	5,716,883	
Change in net pension liability - agent plan	(318,365)	
Change in deferred outflows related to pensions	2,981,762	
Change in deferred inflows related to pensions	(6,858,351)	
Change in compensated absences payable	<u>(19,048)</u>	<u>1,446,143</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 669,944</u>

Exhibit I-6

Hardeman County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hardeman County School Department
June 30, 2015

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 0	\$ 23	\$ 23
Equity in Pooled Cash and Investments	217,090	574,921	792,011
Accounts Receivable	9,034	0	9,034
Due from Other Governments	529,551	6,876	536,427
Total Assets	<u>\$ 755,675</u>	<u>\$ 581,820</u>	<u>\$ 1,337,495</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 244	\$ 331	\$ 575
Payroll Deductions Payable	2,049	0	2,049
Total Liabilities	<u>\$ 2,293</u>	<u>\$ 331</u>	<u>\$ 2,624</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 3,382	\$ 0	\$ 3,382
Restricted for Operation of Non-instructional Services	0	581,489	581,489
Assigned:			
Assigned for Education	750,000	0	750,000
Total Fund Balances	<u>\$ 753,382</u>	<u>\$ 581,489</u>	<u>\$ 1,334,871</u>
Total Liabilities and Fund Balances	<u>\$ 755,675</u>	<u>\$ 581,820</u>	<u>\$ 1,337,495</u>

Exhibit I-7

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 292,465	\$ 292,465
Other Local Revenues	0	5,697	5,697
State of Tennessee	0	101,989	101,989
Federal Government	3,565,293	2,135,442	5,700,735
Total Revenues	<u>\$ 3,565,293</u>	<u>\$ 2,535,593</u>	<u>\$ 6,100,886</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,425,237	\$ 0	\$ 2,425,237
Support Services	743,941	0	743,941
Operation of Non-instructional Services	361,091	2,507,592	2,868,683
Total Expenditures	<u>\$ 3,530,269</u>	<u>\$ 2,507,592</u>	<u>\$ 6,037,861</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 35,024</u>	<u>\$ 28,001</u>	<u>\$ 63,025</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 6,926	\$ 0	\$ 6,926
Transfers Out	(38,568)	0	(38,568)
Total Other Financing Sources (Uses)	<u>\$ (31,642)</u>	<u>\$ 0</u>	<u>\$ (31,642)</u>
Net Change in Fund Balances	\$ 3,382	\$ 28,001	\$ 31,383
Fund Balance, July 1, 2014	750,000	553,488	1,303,488
Fund Balance, June 30, 2015	<u>\$ 753,382</u>	<u>\$ 581,489</u>	<u>\$ 1,334,871</u>

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,945,534	\$ 0	\$ 0	\$ 7,945,534	\$ 7,765,623	\$ 7,765,623	\$ 179,911
Licenses and Permits	1,805	0	0	1,805	1,850	1,850	(45)
Charges for Current Services	40,484	0	0	40,484	69,580	69,580	(29,096)
Other Local Revenues	162,518	0	0	162,518	123,370	123,370	39,148
State of Tennessee	22,323,183	0	0	22,323,183	22,195,384	22,366,843	(43,660)
Federal Government	44,785	0	0	44,785	30,000	30,000	14,785
Total Revenues	\$ 30,518,309	\$ 0	\$ 0	\$ 30,518,309	\$ 30,185,807	\$ 30,357,266	\$ 161,043

<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,144,299	\$ (53,898)	\$ 48,274	\$ 14,138,675	\$ 14,272,564	\$ 14,474,129	\$ 335,454
Alternative Instruction Program	204,233	0	0	204,233	188,099	204,416	183
Special Education Program	2,130,865	(895)	0	2,129,970	2,208,048	2,208,048	78,078
Vocational Education Program	1,231,876	0	0	1,231,876	1,246,209	1,246,209	14,333
<u>Support Services</u>							
Attendance	127,139	0	0	127,139	137,911	137,911	10,772
Health Services	304,730	0	0	304,730	308,134	308,134	3,404
Other Student Support	1,071,154	0	0	1,071,154	1,113,103	1,075,968	4,814
Regular Instruction Program	1,300,776	0	6,262	1,307,038	1,302,364	1,338,164	31,126
Alternative Instruction Program	29,019	0	0	29,019	31,647	31,647	2,628
Special Education Program	574,821	0	0	574,821	563,866	584,501	9,680
Vocational Education Program	48,465	0	0	48,465	48,390	50,273	1,808
Other Programs	169,389	0	0	169,389	0	169,389	0
Board of Education	565,910	(950)	0	564,960	552,720	581,172	16,212
Director of Schools	367,314	(1,922)	201	365,593	355,983	381,983	16,390
Office of the Principal	1,591,167	0	0	1,591,167	1,707,265	1,708,335	117,168
Fiscal Services	156,424	0	0	156,424	194,648	160,498	4,074
Human Services/Personnel	70,164	0	0	70,164	66,245	71,185	1,021
Operation of Plant	1,838,708	0	0	1,838,708	1,837,851	1,885,465	46,757
Maintenance of Plant	862,942	(300)	9,890	872,532	815,585	885,185	12,653

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 1,813,798	\$ (3,382)	\$ 28,774	\$ 1,839,190	\$ 1,927,905	\$ 1,930,657	\$ 91,467
Central and Other	254,833	(70)	5,259	260,022	282,666	282,666	22,644
<u>Operation of Non-instructional Services</u>							
Early Childhood Education	1,054,952	(24,159)	12,134	1,042,927	1,043,062	1,043,061	134
<u>Capital Outlay</u>							
Regular Capital Outlay	358,576	0	0	358,576	0	411,000	52,424
<u>Principal on Debt</u>							
Education	0	0	0	0	490,000	67	67
<u>Interest on Debt</u>							
Education	0	0	0	0	230,774	0	0
<u>Other Debt Service</u>							
Education	732,309	0	0	732,309	0	732,309	0
Total Expenditures	\$ 31,003,863	\$ (85,576)	\$ 110,794	\$ 31,029,081	\$ 30,925,039	\$ 31,902,372	\$ 873,291
Excess (Deficiency) of Revenues Over Expenditures	\$ (485,554)	\$ 85,576	\$ (110,794)	\$ (510,772)	\$ (739,232)	\$ (1,545,106)	\$ 1,034,334
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 90,416	\$ 0	\$ 0	\$ 90,416	\$ 0	\$ 105,032	\$ (14,616)
Transfers In	38,568	0	0	38,568	50,000	50,000	(11,432)
Transfers Out	(6,926)	0	0	(6,926)	(6,926)	(6,926)	0
Total Other Financing Sources	\$ 122,058	\$ 0	\$ 0	\$ 122,058	\$ 43,074	\$ 148,106	\$ (26,048)
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ (363,496)	\$ 85,576	\$ (110,794)	\$ (388,714)	\$ (696,158)	\$ (1,397,000)	\$ 1,008,286
Fund Balance, July 1, 2014	7,075,517	(85,576)	0	6,989,941	6,424,010	6,424,010	565,931
Fund Balance, June 30, 2015	\$ 6,712,021	\$ 0	\$ (110,794)	\$ 6,601,227	\$ 5,727,852	\$ 5,027,010	\$ 1,574,217

Exhibit I-9

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 3,565,293	\$ 0	\$ 3,565,293	\$ 3,451,070	\$ 3,916,154	\$ (350,861)
Total Revenues	\$ 3,565,293	\$ 0	\$ 3,565,293	\$ 3,451,070	\$ 3,916,154	\$ (350,861)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 1,635,445	\$ 0	\$ 1,635,445	\$ 1,724,569	\$ 1,823,997	\$ 188,552
Special Education Program	741,067	298	741,365	670,982	828,177	86,812
Vocational Education Program	48,725	0	48,725	47,505	48,784	59
<u>Support Services</u>						
Other Student Support	25,590	3,084	28,674	31,368	31,459	2,785
Regular Instruction Program	374,826	0	374,826	369,222	425,298	50,472
Special Education Program	210,840	0	210,840	219,600	230,113	19,273
Vocational Education Program	1,298	0	1,298	2,550	1,298	0
Transportation	131,387	0	131,387	130,900	131,387	0
<u>Operation of Non-instructional Services</u>						
Community Services	361,091	0	361,091	351,119	361,091	0
Total Expenditures	\$ 3,530,269	\$ 3,382	\$ 3,533,651	\$ 3,547,815	\$ 3,881,604	\$ 347,953
Excess (Deficiency) of Revenues Over Expenditures	\$ 35,024	\$ (3,382)	\$ 31,642	\$ (96,745)	\$ 34,550	\$ (2,908)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 6,926	\$ 0	\$ 6,926	\$ 134,436	\$ 6,925	\$ 1
Transfers Out	(38,568)	0	(38,568)	(38,360)	(38,581)	13
Total Other Financing Sources	\$ (31,642)	\$ 0	\$ (31,642)	\$ 96,076	\$ (31,656)	\$ 14
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ 3,382	\$ (3,382)	\$ 0	\$ (669)	\$ 2,894	\$ (2,894)
Fund Balance, July 1, 2014	750,000	0	750,000	772,214	772,214	(22,214)
Fund Balance, June 30, 2015	\$ 753,382	\$ (3,382)	\$ 750,000	\$ 771,545	\$ 775,108	\$ (25,108)

Exhibit I-10

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 292,465	\$ 0	\$ 292,465	\$ 280,105	\$ 280,105	\$ 12,360
Other Local Revenues	5,697	0	5,697	9,000	9,000	(3,303)
State of Tennessee	101,989	0	101,989	23,500	23,500	78,489
Federal Government	2,135,442	0	2,135,442	2,350,899	2,485,483	(350,041)
Total Revenues	\$ 2,535,593	\$ 0	\$ 2,535,593	\$ 2,663,504	\$ 2,798,088	\$ (262,495)
<u>Expenditures</u>						
<u>Operation of Non-instructional Services</u>						
Food Service	\$ 2,507,592	\$ 240	\$ 2,507,832	\$ 2,592,401	\$ 2,726,990	\$ 219,158
Total Expenditures	\$ 2,507,592	\$ 240	\$ 2,507,832	\$ 2,592,401	\$ 2,726,990	\$ 219,158
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,001	\$ (240)	\$ 27,761	\$ 71,103	\$ 71,098	\$ (43,337)
Net Change in Fund Balance Fund Balance, July 1, 2014	\$ 28,001	\$ (240)	\$ 27,761	\$ 71,103	\$ 71,098	\$ (43,337)
	553,488	0	553,488	552,795	552,795	693
Fund Balance, June 30, 2015	\$ 581,489	\$ (240)	\$ 581,249	\$ 623,898	\$ 623,893	\$ (42,644)

MISCELLANEOUS SCHEDULES

Exhibit J-1

Hardeman County, Tennessee
Schedule of Changes in Long-term Notes, Other Loan, Capital Lease, and Bonds
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-15
NOTES PAYABLE									
<u>Payable through General Fund</u>	\$ 88,375	2.5 %	12-15-14	11-1-17	\$ 0	88,375 \$	0 \$	0 \$	88,375
Patrol Cars									
<u>Payable through Highway/Public Works Fund</u>	80,000	2.99	8-20-12	8-20-15	\$ 40,896	0 \$	27,061 \$	0 \$	13,835
Backhoe									
<u>Payable through General Debt Service Fund</u>	50,000	4.35	5-19-04	5-7-15	\$ 10,202	0 \$	10,202 \$	0 \$	0
Convenience Centers									
Airport Hangars	390,000	4.45	12-27-07	6-1-20	225,000	0	35,000	0	190,000
Total Payable through General Debt Service Fund					\$ 235,202	0 \$	45,202 \$	0 \$	190,000
Total Notes Payable					\$ 276,098	88,375 \$	72,263 \$	0 \$	292,210
OTHER LOAN PAYABLE									
<u>Contributions Due by School Department from the General Purpose School Fund to the General Debt Service Fund</u>	(1)	0	4-20-12	11-1-21	\$ 127,611	0 \$	10,633 \$	0 \$	116,978
Energy Efficient School Initiative									
Total Other Loan Payable					\$ 127,611	0 \$	10,633 \$	0 \$	116,978
CAPITAL LEASE PAYABLE									
<u>Payable through General Fund</u>	54,098	6	4-17-14	4-17-16	\$ 35,005	0 \$	16,993 \$	0 \$	18,012
Sheriff Department Vehicles									
Total Capital Lease Payable					\$ 35,005	0 \$	16,993 \$	0 \$	18,012
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>	189,000	5	1-1-1975	1-1-15	\$ 11,000	0 \$	11,000 \$	0 \$	0
Hardeman County Industrial, Fm.H.A.									
School Refunding Series 2005	6,370,000	3.98	12-6-05	4-1-15	4,195,000	0	350,000	3,845,000	0
General Obligation School Bonds, Series 2013	2,815,000	2 to 3	6-12-13	4-1-30	2,675,000	0	140,000	0	2,535,000
General Obligation Refunding Bonds, Series 2015	3,940,000	2	4-1-15	4-1-24	0	3,940,000	0	0	3,940,000
Total Bonds Payable					\$ 6,881,000	3,940,000 \$	501,000 \$	3,845,000 \$	6,475,000

(1) Total amount approved was \$500,000, of which \$372,389 remains available for draws as of June 30, 2015.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 77,561	\$ 10,900	\$ 88,461
2017	64,449	8,415	72,864
2018	70,200	6,105	76,305
2019	40,000	3,560	43,560
2020	40,000	1,780	41,780
Total	<u>\$ 292,210</u>	<u>\$ 30,760</u>	<u>\$ 322,970</u>

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2016	\$ 18,228	\$ 0	\$ 18,228
2017	18,228	0	18,228
2018	18,228	0	18,228
2019	18,228	0	18,228
2020	18,228	0	18,228
2021	18,228	0	18,228
2022	7,610	0	7,610
Total	<u>\$ 116,978</u>	<u>\$ 0</u>	<u>\$ 116,978</u>

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2016	\$ 18,012	\$ 1,081	\$ 19,093
Total	<u>\$ 18,012</u>	<u>\$ 1,081</u>	<u>\$ 19,093</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 545,000	\$ 139,813	\$ 684,813
2017	560,000	128,912	688,912
2018	570,000	117,713	687,713
2019	580,000	106,312	686,312
2020	590,000	94,713	684,713
2021	605,000	82,912	687,912
2022	620,000	70,813	690,813
2023	635,000	58,412	693,412
2024	645,000	45,288	690,288
2025	180,000	31,950	211,950
2026	180,000	27,450	207,450
2027	185,000	22,950	207,950
2028	190,000	17,400	207,400
2029	190,000	11,700	201,700
2030	200,000	6,000	206,000
Total	<u>\$ 6,475,000</u>	<u>\$ 962,338</u>	<u>\$ 7,437,338</u>

Exhibit J-3

Hardeman County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hardeman County School Department
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Debt Service	Debt payments	\$ 10,555
"	General Capital Projects	Operations	15,000
Drug Control	General	Establish drug court	7,000
Total Transfers Primary Government			<u>\$ 32,555</u>
<u>DISCRETELY PRESENTED HARDEMAN</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 38,568
General Purpose School	School Federal Projects	Gear Up program cost share	<u>6,926</u>
Total Transfers Discretely Presented Hardeman County School Department			<u>\$ 45,494</u>

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Willie Spencer (7-1-14 through 8-31-14)	Section 8-24-102, TCA, and Chapter 90, Private Acts of 1989	\$ 13,660 (1)	\$ 50,000	Auto-Owners Mutual Insurance Company
Jimmy Sain (9-1-14 through 6-30-15)	Section 8-24-102, TCA, and Chapter 90, Private Acts of 1989	68,298 (2)	100,000	"
Highway Superintendent	Section 8-24-102, TCA	81,455	100,000	"
Director of Schools	State Board of Education and County Board of Education	108,005 (3)	150,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, TCA	67,843	1,172,400	Auto-Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, TCA	67,843	50,000	"
County Clerk	Section 8-24-102, TCA	67,843	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	67,843	65,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	67,843 (4)	65,000	Western Surety Company
Register of Deeds	Section 8-24-102, TCA	67,843	50,000	Auto-Owners Mutual Insurance Company
Sheriff	Section 8-24-102, TCA	75,228 (5)	100,000	"
Employee Dishonesty Coverage:				
County General Employees			150,000	Tennessee Risk Management Trust
Highway Superintendent's Office			150,000	"
Office of Director of Schools:				
Central Office Staff			150,000	"

- (1) Includes a purchasing agent supplement of \$600.
- (2) Includes a purchasing agent supplement of \$3,000.
- (3) Includes a chief executive officer training supplement of \$1,000.
- (4) Does not include special commissioner fees of \$561.
- (5) Includes a law enforcement training supplement of \$600.

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 3,675,596	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	127,580	0	0	0	0	0
Trustee's Collections - Bankruptcy	9,873	0	0	0	0	0
Circuit/Clerk and Master Collections - Prior Years	112,894	0	0	0	0	0
Interest and Penalty	26,453	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	220,145	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	193,897	0	0	0	0	0
Hotel/Motel Tax	21,706	0	0	0	0	0
Wheel Tax	0	0	0	770,641	0	0
Litigation Tax - General	117,958	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	89,327	0	0	0	0	0
Business Tax	169,023	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	47,769	0	0	0	0	0
Wholesale Beer Tax	139,880	0	0	0	0	0
Interstate Telecommunications Tax	1,323	0	0	0	0	0
Total Local Taxes	\$ 4,953,424	\$ 0	\$ 0	\$ 770,641	\$ 0	\$ 0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 4,119	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	7,275	0	0	0	0	0
<u>Permits</u>						
Beer Permits	1,267	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				Debt Service Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service
<u>Licenses and Permits (Cont.)</u>						
<u>Permits (Cont.)</u>						
Building Permits	6,250 \$	0 \$	0 \$	0 \$	0 \$	0
Other Permits	16,500	0	0	120	0	0
Total Licenses and Permits	35,411 \$	0 \$	0 \$	120 \$	0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	29,091 \$	0 \$	0 \$	0 \$	0 \$	0
Officers Costs	13,863	0	0	0	0	0
Drug Control Fines	7,855	7,423	0	0	0	0
Jail Fees	3,070	0	0	0	0	0
DUI Treatment Fines	2,944	0	0	0	0	0
Data Entry Fee - Circuit Court	2,233	0	0	0	0	0
Courtroom Security Fee	233	0	0	0	0	0
Victims Assistance Assessments	3,414	0	0	0	0	0
<u>Criminal Court</u>						
DUI Treatment Fines	1,472	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	23,583	0	0	0	0	0
Officers Costs	31,814	0	0	0	0	0
Game and Fish Fines	484	0	0	0	0	0
Drug Control Fines	5,772	5,819	0	0	0	0
Drug Court Fees	3,499	0	0	0	0	0
Jail Fees	5,001	0	0	0	0	0
DUI Treatment Fines	5,163	0	0	0	0	0
Data Entry Fee - General Sessions Court	11,568	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				Debt Service Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>General Sessions Court (Cont.)</u>						
Courtroom Security Fee						
Victims Assistance Assessments						
<u>Juvenile Court</u>						
Fines	1,798 \$	0 \$	0 \$	0 \$	0 \$	0
Officers Costs	9,481	0	0	0	0	0
Jail Fees	671	0	0	0	0	0
Data Entry Fee - Juvenile Court	246	0	0	0	0	0
Victims Assistance Assessments	28	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,740	0	0	0	0	0
Data Entry Fee - Chancery Court	168	0	0	0	0	0
Other Courts - In-county	1,126	0	0	0	0	0
Officers Costs	4,799	0	0	0	0	0
Other Fines, Forfeitures, and Penalties	160	0	0	0	0	0
Proceeds from Confiscated Property	0	12,534	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 171,276 \$	25,776 \$	0 \$	0 \$	0 \$	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	1,526,365 \$	0 \$	0 \$	0 \$	0 \$	0
Work Release Charges for Board Fees	3,206	0	0	0	0	0
Copy Fees	56	0	0	0	0	0
Greenbelt Late Application Fee	150	0	0	0	0	0
Telephone Commissions	47,338	0	0	0	0	0

(Continued)

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

	Special Revenue Funds				Debt Service Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Constitutional Officers' Fees and Commissions			295,439			
Data Processing Fee - Register	0	0	0	0	0	0
Data Processing Fee - Sheriff	6,816	0	0	0	0	0
Data Processing Fee - County Clerk	3,860	0	0	0	0	0
Total Charges for Current Services	7,057	0	0	0	0	0
	\$ 1,594,848	\$ 0	\$ 295,439	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	69,070	0	0	0	0	0
Lease/Rentals	2,380	0	0	0	0	0
Sale of Materials and Supplies	0	0	0	6,111	0	0
Commissary Sales	41,179	0	0	0	0	0
Sale of Maps	419	0	0	0	0	0
Miscellaneous Refunds	85,590	0	0	9,023	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	27,985	0	0
Sale of Property	4,931	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	9,093	0	0	0	0	0
Total Other Local Revenues	\$ 212,662	\$ 0	\$ 0	\$ 43,119	\$ 0	\$ 0
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	76,793	0	0	0	0	0
Trustee	251,536	0	0	0	0	0

(Continued)

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

	Special Revenue Funds					Debt Service Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works		General Debt	Service
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk	\$ 122,118	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
General Sessions Court Clerk	249,097	0	0	0	0	0	0
Clerk and Master	125,852	0	0	0	0	0	0
Juvenile Court Clerk	28,982	0	0	0	0	0	0
Register	79,583	0	0	0	0	0	0
Sheriff	17,318	0	0	0	0	0	0
Total Fees Received from County Officials	\$ 951,279	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	5,297	0	0	0	0	0	0
<u>Health and Welfare Grants</u>							
Health Department Programs	176,570	0	0	0	0	0	0
Other Health and Welfare Grants	1,761	0	0	0	0	0	0
<u>Public Works Grants</u>							
State Aid Program	0	0	0	309,668	0	0	0
Litter Program	35,317	0	0	0	0	0	0
<u>Other State Revenues</u>							
Beer Tax	18,055	0	0	0	0	0	0
Vehicle Certificate of Title Fees	3,250	0	0	0	0	0	0
Alcoholic Beverage Tax	69,551	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	856,231	0	0	0	0	0	0
Contracted Prisoner Boarding	806,762	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	1,960,489	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 19,664	\$ 0	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	67,755	0	0	0	0	0
Other State Revenues	36,805	0	0	0	0	0
Total State of Tennessee	\$ 2,106,018	\$ 0	\$ 0	\$ 2,289,821	\$ 0	0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 10,950	\$ 0	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	5,694	0	0	0	0	0
Direct Federal Revenue	63,355	0	0	0	0	0
Other Direct Federal Revenue	79,999	0	0	0	0	0
Total Federal Government	\$ 159,998	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 106,601	\$ 0	\$ 0	\$ 0	\$ 0	732,309
Contracted Services	150,000	0	0	0	0	0
Other	21,214	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 277,815	\$ 0	\$ 0	\$ 0	\$ 0	732,309
Total	\$ 10,382,732	\$ 25,776	\$ 295,439	\$ 3,103,701	\$ 732,309	732,309

(Continued)

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

	<u>Capital</u>		
	<u>Projects Fund</u>		
	General	Capital	Total
	Projects	Projects	Projects
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	0	\$	3,675,596
Trustee's Collections - Prior Year	0		127,580
Trustee's Collections - Bankruptcy	0		9,873
Circuit/Clerk and Master Collections - Prior Years	0		112,894
Interest and Penalty	0		26,453
Payments in-Lieu-of Taxes - Other	0		220,145
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0		193,897
Hotel/Motel Tax	0		21,706
Wheel Tax	770,640		1,541,281
Litigation Tax - General	0		117,958
Litigation Tax - Jail, Workhouse, or Courthouse	0		89,327
Business Tax	0		169,023
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0		47,769
Wholesale Beer Tax	0		139,880
Interstate Telecommunications Tax	0		1,323
Total Local Taxes	770,640	\$	6,494,705
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Animal Registration	0	\$	4,119
Cable TV Franchise	0		7,275
<u>Permits</u>			
Beer Permits	0		1,267

(Continued)

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

	<u>Capital Projects Fund</u>		
	General Capital Projects	Total	
<u>Licenses and Permits (Cont.)</u>			
<u>Permits (Cont.)</u>			
Building Permits	0 \$	6,250	
Other Permits	0	16,620	
Total Licenses and Permits	<u>0 \$</u>	<u>35,531</u>	
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	0 \$	29,091	
Officers Costs	0	13,863	
Drug Control Fines	0	15,278	
Jail Fees	0	3,070	
DUI Treatment Fines	0	2,944	
Data Entry Fee - Circuit Court	0	2,233	
Courtroom Security Fee	0	233	
Victims Assistance Assessments	0	3,414	
<u>Criminal Court</u>			
DUI Treatment Fines	0	1,472	
<u>General Sessions Court</u>			
Fines	0	23,583	
Officers Costs	0	31,814	
Game and Fish Fines	0	484	
Drug Control Fines	0	11,591	
Drug Court Fees	0	3,499	
Jail Fees	0	5,001	
DUI Treatment Fines	0	5,163	
Data Entry Fee - General Sessions Court	0	11,568	

(Continued)

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

	Capital Projects Fund		Total
	General Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>General Sessions Court (Cont.)</u>			
Courtroom Security Fee	0 \$		1,798
Victims Assistance Assessments	0		9,481
<u>Juvenile Court</u>			
Fines	0		671
Officers Costs	0		246
Jail Fees	0		28
Data Entry Fee - Juvenile Court	0		1,740
Victims Assistance Assessments	0		168
<u>Chancery Court</u>			
Officers Costs	0		1,126
Data Entry Fee - Chancery Court	0		4,799
<u>Other Courts - In-county</u>			
Officers Costs	0		160
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0		12,534
Total Fines, Forfeitures, and Penalties	0 \$		197,052
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Patient Charges	0 \$		1,526,365
Work Release Charges for Board	0		3,206
<u>Fees</u>			
Copy Fees	0		56
Greenbelt Late Application Fee	0		150
Telephone Commissions	0		47,338

(Continued)

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

	<u>Capital Projects Fund</u>		
	General Capital Projects	Total	
<u>Charges for Current Services (Cont.)</u>			
<u>Fees (Cont.)</u>			
Constitutional Officers' Fees and Commissions	0 \$	295,439	
Data Processing Fee - Register	0	6,816	
Data Processing Fee - Sheriff	0	3,860	
Data Processing Fee - County Clerk	0	7,057	
Total Charges for Current Services	<u>0 \$</u>	<u>1,890,287</u>	
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	0 \$	69,070	
Lease/Rentals	0	2,380	
Sale of Materials and Supplies	0	6,111	
Commissary Sales	0	41,179	
Sale of Maps	0	419	
Miscellaneous Refunds	0	94,613	
<u>Nonrecurring Items</u>			
Sale of Equipment	0	27,985	
Sale of Property	0	4,931	
<u>Other Local Revenues</u>			
Other Local Revenues	0	9,093	
Total Other Local Revenues	<u>0 \$</u>	<u>255,781</u>	
<u>Fees Received from County Officials</u>			
<u>Excess Fees</u>			
County Clerk	0 \$	76,793	
Trustee	0	251,536	

(Continued)

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

	<u>Capital</u> <u>Projects Fund</u>		
	General Capital Projects	Total	
<u>Fees Received from County Officials (Cont.)</u>			
<u>Fees in-Lieu-of Salary</u>			
Circuit Court Clerk	0 \$	122,118	
General Sessions Court Clerk	0	249,097	
Clerk and Master	0	125,852	
Juvenile Court Clerk	0	28,982	
Register	0	79,583	
Sheriff	0	17,318	
Total Fees Received from County Officials	0 \$	951,279	
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	0 \$	13,500	
Airport Maintenance Program	0	5,297	
<u>Health and Welfare Grants</u>			
Health Department Programs	0	176,570	
Other Health and Welfare Grants	0	1,761	
<u>Public Works Grants</u>			
State Aid Program	0	309,668	
Litter Program	0	35,317	
<u>Other State Revenues</u>			
Beer Tax	0	18,055	
Vehicle Certificate of Title Fees	0	3,250	
Alcoholic Beverage Tax	0	69,551	
State Revenue Sharing - T.V.A.	0	856,231	
Contracted Prisoner Boarding	0	806,762	
Gasoline and Motor Fuel Tax	0	1,960,489	

(Continued)

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

	<u>Capital Projects Fund</u>		
	General Capital Projects	Total	
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues (Cont.)</u>			
Petroleum Special Tax	0 \$	19,664	
Registrar's Salary Supplement	0	15,164	
Other State Grants	0	67,755	
Other State Revenues	0	36,805	
Total State of Tennessee	<u>0 \$</u>	<u>4,395,839</u>	
<u>Federal Government</u>			
<u>Federal Through State</u>			
Civil Defense Reimbursement	0 \$	10,950	
Homeland Security Grants	0	5,694	
<u>Direct Federal Revenue</u>			
Other Direct Federal Revenue	0	63,355	
Total Federal Government	<u>0 \$</u>	<u>79,999</u>	
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	0 \$	838,910	
Contracted Services	0	150,000	
<u>Other</u>			
Other	0	21,214	
Total Other Governments and Citizens Groups	<u>0 \$</u>	<u>1,010,124</u>	
Total	<u>\$ 770,640 \$</u>	<u>15,310,597</u>	

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,250,843	\$ 0	\$ 0	\$ 5,250,843
Trustee's Collections - Prior Year	178,196	0	0	178,196
Trustee's Collections - Bankruptcy	14,104	0	0	14,104
Circuit/Clerk and Master Collections - Prior Years	161,254	0	0	161,254
Interest and Penalty	38,174	0	0	38,174
Payments in-Lieu-of Taxes - Other	83,265	0	0	83,265
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,214,772	0	0	2,214,772
Mixed Drink Tax	2,237	0	0	2,237
Other County Local Option Taxes	217	0	0	217
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	2,472	0	0	2,472
Total Local Taxes	\$ 7,945,534	\$ 0	\$ 0	\$ 7,945,534
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,805	\$ 0	\$ 0	\$ 1,805
Total Licenses and Permits	\$ 1,805	\$ 0	\$ 0	\$ 1,805
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Other Employee Benefit Charges/Contributions	\$ 649	\$ 0	\$ 0	\$ 649
<u>Fees</u>				
Vending Machine Collections	307	0	0	307
<u>Education Charges</u>				
Lunch Payments - Children	0	0	79,251	79,251
Lunch Payments - Adults	0	0	47,289	47,289
Income from Breakfast	0	0	30,662	30,662
A la carte Sales	0	0	94,691	94,691
Receipts from Individual Schools	7,707	0	0	7,707
<u>Other Charges for Services</u>				
Other Charges for Services	31,821	0	40,572	72,393
Total Charges for Current Services	\$ 40,484	\$ 0	\$ 292,465	\$ 332,949
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 2	\$ 0	\$ 3,525	\$ 3,527
Lease/Rentals	40,543	0	0	40,543
E-Rate Funding	45,453	0	0	45,453
Retirees' Insurance Payments	23,287	0	0	23,287
Miscellaneous Refunds	43,058	0	725	43,783
<u>Nonrecurring Items</u>				
Sale of Equipment	1,000	0	0	1,000
Contributions and Gifts	3,750	0	0	3,750
<u>Other Local Revenues</u>				
Other Local Revenues	5,425	0	1,447	6,872
Total Other Local Revenues	\$ 162,518	\$ 0	\$ 5,697	\$ 168,215

(Continued)

Exhibit J-6

Hardeman County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hardeman 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	\$ 169,389	\$ 0	\$ 0	\$ 169,389
<u>State Education Funds</u>				
Basic Education Program	20,717,445	0	0	20,717,445
Early Childhood Education	1,042,710	0	0	1,042,710
School Food Service	0	0	23,166	23,166
Driver Education	16,168	0	0	16,168
Other State Education Funds	174,376	0	0	174,376
Career Ladder Program	135,835	0	0	135,835
Career Ladder - Extended Contract	40,870	0	0	40,870
<u>Other State Revenues</u>				
Other State Grants	26,390	0	78,823	105,213
Total State of Tennessee	\$ 22,323,183	\$ 0	\$ 101,989	\$ 22,425,172
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,384,185	\$ 1,384,185
USDA - Commodities	0	0	134,584	134,584
Breakfast	0	0	589,272	589,272
USDA - Other	0	0	27,401	27,401
Vocational Education - Basic Grants to States	0	70,667	0	70,667
Title I Grants to Local Education Agencies	0	1,510,000	0	1,510,000
Special Education - Grants to States	44,785	995,563	0	1,040,348
Special Education Preschool Grants	0	87,375	0	87,375
Safe and Drug-free Schools - State Grants	0	365,937	0	365,937
Rural Education	0	65,766	0	65,766
Eisenhower Professional Development State Grants	0	234,989	0	234,989
Other Federal through State	0	234,996	0	234,996
Total Federal Government	\$ 44,785	\$ 3,565,293	\$ 2,135,442	\$ 5,745,520
Total	\$ 30,518,309	\$ 3,565,293	\$ 2,535,593	\$ 36,619,195

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 10,500	
Total County Commission		\$ 10,500

Board of Equalization

Board and Committee Members Fees	\$ 665	
Total Board of Equalization		665

Beer Board

Board and Committee Members Fees	\$ 105	
Total Beer Board		105

Budget and Finance Committee

Board and Committee Members Fees	\$ 1,960	
Total Budget and Finance Committee		1,960

Other Boards and Committees

Board and Committee Members Fees	\$ 4,445	
Total Other Boards and Committees		4,445

County Mayor/Executive

County Official/Administrative Officer	\$ 78,358	
Secretary(ies)	59,088	
Part-time Personnel	10,241	
Educational Incentive - Other County Employees	300	
Communication	3,148	
Maintenance and Repair Services - Office Equipment	978	
Postal Charges	2,170	
Travel	5,791	
Office Supplies	4,682	
Other Supplies and Materials	403	
Other Charges	1,006	
Office Equipment	1,676	
Total County Mayor/Executive		167,841

County Attorney

County Official/Administrative Officer	\$ 10,178	
Legal Services	914	
Total County Attorney		11,092

Election Commission

County Official/Administrative Officer	\$ 61,059	
Clerical Personnel	20,589	
Overtime Pay	752	
Other Salaries and Wages	1,704	
Board and Committee Members Fees	4,100	
Election Workers	31,452	
Communication	1,999	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Dues and Memberships	\$	175	
Legal Notices, Recording, and Court Costs		2,602	
Maintenance and Repair Services - Office Equipment		63	
Postal Charges		1,318	
Printing, Stationery, and Forms		4,155	
Rentals		15,856	
Travel		5,520	
Other Contracted Services		15,638	
Custodial Supplies		321	
Office Supplies		2,380	
Utilities		4,661	
Office Equipment		726	
Total Election Commission			\$ 175,070

Register of Deeds

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		46,320	
Part-time Personnel		5,716	
Educational Incentive - Other County Employees		3,300	
Communication		3,660	
Data Processing Services		11,457	
Maintenance Agreements		1,089	
Postal Charges		166	
Travel		2,391	
Data Processing Supplies		375	
Office Supplies		2,355	
Data Processing Equipment		495	
Total Register of Deeds			145,167

Development

County Official/Administrative Officer	\$	30,220	
Clerical Personnel		1,494	
Part-time Personnel		3,932	
Communication		2,178	
Contracts with Government Agencies		16,300	
Rentals		897	
Travel		965	
Remittance of Revenue Collected		15,240	
Office Supplies		924	
Other Charges		73	
Office Equipment		777	
Total Development			73,000

County Buildings

Supervisor/Director	\$	34,528	
Custodial Personnel		39,222	
Communication		3,078	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance and Repair Services - Buildings	\$	32,598	
Maintenance and Repair Services - Equipment		9,606	
Maintenance and Repair Services - Vehicles		811	
Other Contracted Services		345	
Custodial Supplies		2,813	
Gasoline		2,205	
Uniforms		2,270	
Utilities		49,680	
Other Supplies and Materials		1,547	
Other Charges		1,150	
Building Improvements		16,225	
Furniture and Fixtures		3,289	
Total County Buildings			\$ 199,367

Other General Administration

Land	\$	62,319	
Total Other General Administration			62,319

Preservation of Records

Communication	\$	1,107	
Maintenance and Repair Services - Buildings		30	
Utilities		4,338	
Total Preservation of Records			5,475

Finance

Accounting and Budgeting

Other Contracted Services	\$	3,750	
Total Accounting and Budgeting			3,750

Purchasing

County Official/Administrative Officer	\$	3,600	
Total Purchasing			3,600

Property Assessor's Office

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		49,923	
Clerical Personnel		43,700	
Part-time Personnel		1,596	
Educational Incentive - Other County Employees		5,100	
Communication		2,446	
Data Processing Services		14,877	
Dues and Memberships		1,715	
Postal Charges		260	
Travel		1,919	
Other Contracted Services		12,784	
Office Supplies		974	
Other Supplies and Materials		1,599	
Office Equipment		3,991	
Total Property Assessor's Office			208,727

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries and Wages	\$	16,509	
Advertising		184	
Data Processing Services		3,902	
Maintenance and Repair Services - Vehicles		854	
Postal Charges		1,192	
Travel		3,155	
Gasoline		604	
Total Reappraisal Program			\$ 26,400

County Trustee's Office

Educational Incentive - Other County Employees	\$	750	
Communication		5,315	
Postal Charges		7,924	
Office Supplies		6,496	
Office Equipment		90	
Total County Trustee's Office			20,575

County Clerk's Office

Educational Incentive - Other County Employees	\$	3,400	
Communication		4,285	
Maintenance and Repair Services - Office Equipment		8,358	
Postal Charges		6,000	
Office Supplies		3,810	
Other Supplies and Materials		884	
Office Equipment		7,755	
Total County Clerk's Office			34,492

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		47,708	
Clerical Personnel		102,623	
Part-time Personnel		17,710	
Educational Incentive - Other County Employees		4,800	
Jury and Witness Expense		5,659	
Other Per Diem and Fees		32	
Postal Charges		4,034	
Travel		132	
Office Supplies		11,565	
Other Charges		400	
Office Equipment		2,780	
Total Circuit Court			265,286

General Sessions Court

Judge(s)	\$	107,213
Secretary(ies)		12,047
Part-time Personnel		1,500

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Dues and Memberships	\$	315	
Travel		444	
Total General Sessions Court			\$ 121,519

Drug Court

Travel	\$	429	
Remittance of Revenue Collected		3,331	
Other Contracted Services		17,500	
Office Supplies		623	
Total Drug Court			21,883

Chancery Court

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		67,888	
Educational Incentive - Other County Employees		4,900	
Communication		3,129	
Data Processing Services		1,203	
Legal Notices, Recording, and Court Costs		1,653	
Maintenance and Repair Services - Office Equipment		1,022	
Postal Charges		9,470	
Travel		1,188	
Office Supplies		2,898	
Other Charges		145	
Office Equipment		964	
Total Chancery Court			162,303

Juvenile Court

Other Salaries and Wages	\$	30,578	
Communication		1,137	
Contracts with Government Agencies		4,900	
Travel		3,524	
Drug Treatment		1,395	
Office Supplies		128	
Total Juvenile Court			41,662

Victim Assistance Programs

Other Per Diem and Fees	\$	8,880	
Total Victim Assistance Programs			8,880

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,628
Assistant(s)		46,360
Deputy(ies)		674,944
Investigator(s)		119,362
Salary Supplements		13,800
Dispatchers/Radio Operators		298,013

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Secretary(ies)	\$	87,984	
Part-time Personnel		13,186	
Overtime Pay		41,279	
In-service Training		7,519	
Communication		30,177	
Dues and Memberships		2,070	
Maintenance and Repair Services - Vehicles		60,205	
Postal Charges		1,941	
Travel		5,333	
Gasoline		132,765	
Office Supplies		9,807	
Uniforms		14,999	
Medical Claims		966	
Other Charges		15,742	
Communication Equipment		1,328	
Law Enforcement Equipment		24,529	
Motor Vehicles		92,493	
Office Equipment		3,742	
Other Equipment		5,314	
Total Sheriff's Department			\$ 1,778,486

Workhouse

Guards	\$	637,950	
Maintenance Personnel		30,907	
Part-time Personnel		11,550	
Overtime Pay		23,792	
Communication		1,480	
Maintenance and Repair Services - Buildings		16,776	
Maintenance and Repair Services - Equipment		26,659	
Medical and Dental Services		130,720	
Custodial Supplies		30,716	
Electricity		207,747	
Food Preparation Supplies		3,524	
Food Supplies		225,396	
Other Supplies and Materials		7,887	
In Service/Staff Development		4,873	
Other Charges		9,681	
Communication Equipment		2,776	
Office Equipment		3,378	
Total Workhouse			1,375,812

Juvenile Services

Supervisor/Director	\$	33,190	
Postal Charges		250	
Office Equipment		648	
Total Juvenile Services			34,088

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contracts with Government Agencies	\$ 137,400	
Total Fire Prevention and Control		\$ 137,400

Civil Defense

Supervisor/Director	\$ 2,816	
Part-time Personnel	1,224	
Communication	3,664	
Maintenance and Repair Services - Vehicles	601	
Gasoline	377	
Office Supplies	1,226	
Other Charges	1,656	
Other Equipment	5,694	
Total Civil Defense		17,258

County Coroner/Medical Examiner

Other Contracted Services	\$ 32,449	
Total County Coroner/Medical Examiner		32,449

Public Health and Welfare

Local Health Center

Communication	\$ 7,868	
Contracts with Government Agencies	22,661	
Janitorial Services	14,400	
Maintenance and Repair Services - Buildings	6,042	
Postal Charges	194	
Custodial Supplies	1,405	
Drugs and Medical Supplies	141	
Office Supplies	256	
Utilities	13,314	
Other Supplies and Materials	1,779	
Total Local Health Center		68,060

Rabies and Animal Control

Part-time Personnel	\$ 22,600	
Communication	2,941	
Maintenance and Repair Services - Buildings	358	
Maintenance and Repair Services - Vehicles	715	
Travel	414	
Animal Food and Supplies	1,569	
Drugs and Medical Supplies	2,519	
Gasoline	4,330	
Utilities	6,010	
Other Supplies and Materials	176	
Refunds	8,899	
Other Charges	225	
Total Rabies and Animal Control		50,756

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Assistant(s)	\$	35,674	
Supervisor/Director		31,275	
Clerical Personnel		26,849	
Attendants		667,237	
Part-time Personnel		65,373	
Overtime Pay		192,307	
In-service Training		2,514	
Communication		12,569	
Contracts with Private Agencies		16,319	
Maintenance and Repair Services - Buildings		1,426	
Maintenance and Repair Services - Equipment		552	
Maintenance and Repair Services - Vehicles		37,954	
Postal Charges		11,242	
Travel		276	
Custodial Supplies		3,938	
Drugs and Medical Supplies		126,748	
Gasoline		71,431	
Office Supplies		4,389	
Tires and Tubes		4,968	
Uniforms		6,681	
Utilities		15,600	
Refunds		8,924	
Other Charges		2,711	
Motor Vehicles		98,548	
Other Equipment		2,849	
Other Capital Outlay		2,212	
Total Ambulance/Emergency Medical Services			\$ 1,450,566

Dental Health Program

Medical Personnel	\$	75,965	
Paraprofessionals		23,124	
Clerical Personnel		35,122	
Pensions		4,051	
Employee and Dependent Insurance		13,526	
Travel		2,237	
Drugs and Medical Supplies		6,951	
Liability Insurance		1,632	
Total Dental Health Program			162,608

Alcohol and Drug Programs

Contributions	\$	3,500	
Total Alcohol and Drug Programs			3,500

Other Local Health Services

Supervisor/Director	\$	2,816	
Total Other Local Health Services			2,816

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Regional Mental Health Center

Contributions	\$ 3,500	
Total Regional Mental Health Center		\$ 3,500

Sanitation Education/Information

Foremen	\$ 16,310	
Laborers	1,200	
Employee and Dependent Insurance	6,736	
Instructional Supplies and Materials	8,341	
Other Supplies and Materials	2,253	
Other Charges	1,682	
Total Sanitation Education/Information		36,522

Waste Pickup

Contracts with Private Agencies	\$ 180,876	
Total Waste Pickup		180,876

Convenience Centers

Supervisor/Director	\$ 10,624	
Laborers	10,837	
Clerical Personnel	9,027	
Part-time Personnel	89,539	
Communication	7,080	
Maintenance and Repair Services - Equipment	8,282	
Rentals	950	
Other Contracted Services	6,888	
Gasoline	1,254	
Office Supplies	569	
Uniforms	197	
Utilities	12,679	
Fencing	600	
Other Supplies and Materials	968	
Other Charges	1,974	
Total Convenience Centers		161,468

Other Public Health and Welfare

Consultants	\$ 4,350	
Travel	186	
Office Supplies	594	
Other Supplies and Materials	2,386	
Other Charges	1,761	
Total Other Public Health and Welfare		9,277

Social, Cultural, and Recreational Services

Libraries

Contributions	\$ 7,150	
Other Contracted Services	80,314	
Total Libraries		87,464

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	53,942	
Communication		3,056	
Dues and Memberships		355	
Rentals		19,104	
Travel		2,500	
Utilities		4,072	
Other Supplies and Materials		235	
Other Capital Outlay		270	
Total Agricultural Extension Service			\$ 83,534

Forest Service

Other Contracted Services	\$	2,000	
Total Forest Service			2,000

Soil Conservation

Secretary(ies)	\$	21,496	
Dues and Memberships		275	
Travel		414	
Other Contracted Services		8,487	
Other Supplies and Materials		363	
Total Soil Conservation			31,035

Other Operations

Industrial Development

Advertising	\$	25	
Contracts with Other Public Agencies		18,581	
Contributions		32,000	
Total Industrial Development			50,606

Housing and Urban Development

Other Contracted Services	\$	63,355	
Total Housing and Urban Development			63,355

Airport

Supervisor/Director	\$	9,313	
Communication		2,782	
Maintenance and Repair Services - Buildings		6,732	
Maintenance and Repair Services - Equipment		3,843	
Maintenance and Repair Services - Vehicles		273	
Other Contracted Services		36,738	
Custodial Supplies		253	
Gasoline		20,921	
Office Supplies		185	
Utilities		12,703	
Other Charges		1,274	
Airport Improvement		71,570	
Total Airport			166,587

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Secretary(ies)	\$	9,282	
Communication		1,779	
Postal Charges		49	
Travel		624	
Office Supplies		116	
Office Equipment		513	
Total Veterans' Services			\$ 12,363

Contributions to Other Agencies

Dues and Memberships	\$	32,725	
Total Contributions to Other Agencies			32,725

Employee Benefits

Social Security	\$	299,382	
Pensions		355,859	
Employee and Dependent Insurance		876,791	
Disability Insurance		167,325	
Unemployment Compensation		10,905	
Employer Medicare		70,017	
Total Employee Benefits			1,780,279

Miscellaneous

Audit Services	\$	8,176	
Contributions		18,750	
Data Processing Services		41,661	
Dues and Memberships		6,902	
Legal Notices, Recording, and Court Costs		1,650	
Other Supplies and Materials		3,538	
Liability Insurance		172,109	
Premiums on Corporate Surety Bonds		8,848	
Refunds		29	
Trustee's Commission		117,372	
Other Charges		5,017	
Total Miscellaneous			384,052

Principal on Debt

General Government

Principal on Capital Leases	\$	16,993	
Total General Government			16,993

Interest on Debt

General Government

Interest on Capital Leases	\$	2,100	
Total General Government			2,100

Total General Fund \$ 9,994,618

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

In-service Training	\$	105	
Confidential Drug Enforcement Payments		5,000	
Maintenance and Repair Services - Vehicles		2,065	
Travel		706	
Gasoline		3,502	
Instructional Supplies and Materials		7,070	
Office Supplies		71	
Trustee's Commission		258	
Other Charges		11,163	
Law Enforcement Equipment		8,628	
Other Equipment		1,299	
Total Drug Enforcement			\$ 39,867

Total Drug Control Fund \$ 39,867

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	112,685	
Total County Trustee's Office			\$ 112,685

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	182,198	
Total County Clerk's Office			182,198

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	561	
Total Chancery Court			561

Total Constitutional Officers - Fees Fund 295,444

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	81,455	
Secretary(ies)		75,188	
Board and Committee Members Fees		12,345	
Communication		8,392	
Data Processing Services		6,375	
Dues and Memberships		3,854	
Legal Services		3,427	
Legal Notices, Recording, and Court Costs		380	
Maintenance and Repair Services - Office Equipment		90	
Postal Charges		524	
Rentals		2,028	
Travel		619	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Contracted Services	\$	1,988	
Electricity		22,592	
Office Supplies		5,978	
Other Supplies and Materials		617	
Total Administration	\$		225,852

Highway and Bridge Maintenance

Foremen	\$	147,054	
Laborers		588,292	
Overtime Pay		15,899	
Other Salaries and Wages		13,179	
Other Contracted Services		4,123	
Asphalt - Liquid		73,260	
Crushed Stone		79,898	
General Construction Materials		1,589	
Pipe		24,932	
Road Signs		6,894	
Wood Products		35,523	
Chemicals		14,452	
Other Supplies and Materials		921	
Total Highway and Bridge Maintenance			1,006,016

Operation and Maintenance of Equipment

Materials Supervisor	\$	26,095	
Foremen		34,543	
Mechanic(s)		23,222	
Overtime Pay		2,664	
Other Salaries and Wages		1,040	
Equipment and Machinery Parts		160,147	
Garage Supplies		928	
Gasoline		207,961	
Lubricants		11,509	
Tires and Tubes		34,477	
Uniforms		13,948	
Other Supplies and Materials		970	
Total Operation and Maintenance of Equipment			517,504

Asphalt Plant Operations

Laborers	\$	4,505	
Other Contracted Services		379	
Asphalt - Hot Mix		456,763	
Crushed Stone		90,532	
Equipment and Machinery Parts		6,385	
Utilities		64,759	
Other Supplies and Materials		2,134	
State Aid Projects		10,749	
Total Asphalt Plant Operations			636,206

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Liability Insurance	\$	38,380	
Premiums on Corporate Surety Bonds		983	
Trustee's Commission		27,396	
Total Other Charges			\$ 66,759

Employee Benefits

Social Security	\$	63,591	
Pensions		73,665	
Employee and Dependent Insurance		194,116	
Disability Insurance		68,018	
Unemployment Compensation		8,140	
Employer Medicare		14,857	
Other Fringe Benefits		1,200	
Total Employee Benefits			423,587

Capital Outlay

Bridge Construction	\$	12,867	
Communication Equipment		486	
Highway Construction		13,122	
Highway Equipment		159,172	
Other Equipment		350	
Total Capital Outlay			185,997

Principal on Debt

Highways and Streets

Principal on Notes	\$	27,061	
Total Highways and Streets			27,061

Interest on Debt

Highways and Streets

Interest on Notes	\$	1,020	
Total Highways and Streets			1,020

Total Highway/Public Works Fund \$ 3,090,002

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	11,000	
Principal on Notes		45,202	
Total General Government			\$ 56,202

Education

Principal on Bonds	\$	490,000	
Principal on Other Loans		10,633	
Total Education			500,633

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$	550	
Interest on Notes		<u>10,352</u>	
Total General Government	\$		10,902

Education

Interest on Bonds	\$	<u>230,774</u>	
Total Education			230,774

Other Debt Service

General Government

Contributions	\$	<u>205,684</u>	
Total General Government			205,684

Education

Other Charges	\$	902	
Underwriter's Discount		25,519	
Other Debt Issuance Charges		<u>64,707</u>	
Total Education			<u>91,128</u>

Total General Debt Service Fund \$ 1,095,323

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Contributions	\$	774,677	
Trustee's Commission		<u>7,634</u>	
Total Administration of Justice Projects	\$		<u>782,311</u>

Total General Capital Projects Fund 782,311

Total Governmental Funds - Primary Government \$ 15,297,565

Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,754,355	
Career Ladder Program	81,865	
Career Ladder Extended Contracts	14,030	
Homebound Teachers	4,347	
Educational Assistants	225,591	
Certified Substitute Teachers	57,250	
Non-certified Substitute Teachers	103,864	
Social Security	589,109	
Pensions	914,181	
Medical Insurance	1,231,481	
Dental Insurance	24,713	
Employer Medicare	138,677	
Other Contracted Services	122,097	
Instructional Supplies and Materials	183,355	
Textbooks	290,370	
Other Supplies and Materials	380	
Other Charges	4,160	
Regular Instruction Equipment	404,474	
Total Regular Instruction Program		\$ 14,144,299

Alternative Instruction Program

Teachers	\$ 157,136	
Social Security	8,586	
Pensions	14,205	
Medical Insurance	20,582	
Employer Medicare	2,008	
Instructional Supplies and Materials	1,716	
Total Alternative Instruction Program		204,233

Special Education Program

Teachers	\$ 1,546,536	
Career Ladder Program	13,500	
Homebound Teachers	7,406	
Educational Assistants	83,129	
Certified Substitute Teachers	3,653	
Non-certified Substitute Teachers	7,984	
Social Security	96,715	
Pensions	146,626	
Medical Insurance	188,732	
Employer Medicare	22,386	
Evaluation and Testing	4,165	
Instructional Supplies and Materials	2,969	
Other Supplies and Materials	169	
Special Education Equipment	6,895	
Total Special Education Program		2,130,865

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	908,430	
Career Ladder Program		8,000	
Educational Assistants		14,101	
Certified Substitute Teachers		2,015	
Non-certified Substitute Teachers		6,902	
Social Security		54,311	
Pensions		83,996	
Medical Insurance		105,391	
Employer Medicare		12,727	
Maintenance and Repair Services - Equipment		2,581	
Instructional Supplies and Materials		21,178	
Other Supplies and Materials		680	
Other Charges		1,498	
Vocational Instruction Equipment		10,066	
Total Vocational Education Program			\$ 1,231,876

Support Services

Attendance

Supervisor/Director	\$	68,789	
Career Ladder Program		2,000	
Clerical Personnel		24,840	
Social Security		5,622	
Pensions		8,613	
Medical Insurance		7,402	
Employer Medicare		1,315	
Contracts with Private Agencies		7,394	
Travel		695	
Office Supplies		154	
Other Supplies and Materials		315	
Total Attendance			127,139

Health Services

Medical Personnel	\$	212,397	
Social Security		11,943	
Pensions		18,925	
Medical Insurance		39,588	
Employer Medicare		2,793	
Travel		4,178	
Other Contracted Services		52	
Drugs and Medical Supplies		6,801	
Other Supplies and Materials		763	
Health Equipment		7,290	
Total Health Services			304,730

Other Student Support

Guidance Personnel	\$	573,316	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Psychological Personnel	\$	51,498	
Social Workers		100,997	
Other Salaries and Wages		57,776	
Social Security		46,196	
Pensions		70,762	
Medical Insurance		74,675	
Employer Medicare		10,804	
Contracts with Government Agencies		27,400	
Evaluation and Testing		12,500	
Travel		4,990	
Other Contracted Services		2,000	
Other Supplies and Materials		22,138	
In Service/Staff Development		2,094	
Other Charges		14,008	
Total Other Student Support			\$ 1,071,154

Regular Instruction Program

Supervisor/Director	\$	64,183	
Career Ladder Program		6,000	
Librarians		443,294	
Educational Assistants		45,888	
Other Salaries and Wages		381,029	
Social Security		54,235	
Pensions		84,901	
Medical Insurance		108,413	
Employer Medicare		12,684	
Maintenance and Repair Services - Equipment		20,710	
Travel		8,390	
Other Contracted Services		13,000	
Library Books/Media		30,854	
Other Supplies and Materials		462	
In Service/Staff Development		23,006	
Other Charges		2,740	
Other Equipment		987	
Total Regular Instruction Program			1,300,776

Alternative Instruction Program

Clerical Personnel	\$	24,920	
Social Security		1,523	
Pensions		2,220	
Employer Medicare		356	
Total Alternative Instruction Program			29,019

Special Education Program

Supervisor/Director	\$	62,365	
Career Ladder Program		2,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Psychological Personnel	\$	63,430	
Assessment Personnel		7,928	
Social Security		7,494	
Pensions		11,462	
Medical Insurance		6,810	
Employer Medicare		1,882	
Maintenance and Repair Services - Equipment		775	
Travel		11,374	
Other Contracted Services		388,282	
Other Supplies and Materials		2,063	
In Service/Staff Development		4,455	
Other Charges		241	
Other Equipment		4,260	
Total Special Education Program			\$ 574,821

Vocational Education Program

Supervisor/Director	\$	37,107	
Career Ladder Program		1,000	
Social Security		2,230	
Pensions		3,445	
Medical Insurance		4,162	
Employer Medicare		521	
Total Vocational Education Program			48,465

Other Programs

On-behalf Payments to OPEB	\$	169,389	
Total Other Programs			169,389

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		775	
Pensions		45	
Medical Insurance		22,501	
Unemployment Compensation		16,396	
Employer Medicare		181	
Audit Services		23,100	
Dues and Memberships		13,535	
Legal Services		10,742	
Travel		10,885	
Other Contracted Services		5,925	
Liability Insurance		33,939	
Premiums on Corporate Surety Bonds		2,611	
Trustee's Commission		194,665	
Workers' Compensation Insurance		206,937	
In Service/Staff Development		11,573	
Other Charges		100	
Total Board of Education			565,910

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	107,005	
Career Ladder Program		1,000	
Clerical Personnel		49,917	
Social Security		9,133	
Pensions		14,121	
Medical Insurance		14,789	
Employer Medicare		2,136	
Communication		50,925	
Postal Charges		3,736	
Travel		4,564	
Other Contracted Services		47,385	
Office Supplies		1,548	
Other Supplies and Materials		725	
In Service/Staff Development		977	
Other Charges		57,085	
Administration Equipment		2,268	
Total Director of Schools			\$ 367,314

Office of the Principal

Principals	\$	606,749	
Career Ladder Extended Contracts		5,845	
Assistant Principals		332,886	
Secretary(ies)		336,356	
Social Security		76,063	
Pensions		114,930	
Medical Insurance		98,496	
Employer Medicare		17,788	
Other Charges		2,054	
Total Office of the Principal			1,591,167

Fiscal Services

Supervisor/Director	\$	38,722	
Accountants/Bookkeepers		65,512	
Social Security		6,304	
Pensions		9,197	
Medical Insurance		12,283	
Employer Medicare		1,474	
Data Processing Services		11,827	
Dues and Memberships		480	
Travel		4,594	
Other Contracted Services		270	
Data Processing Supplies		936	
Office Supplies		3,196	
Other Supplies and Materials		50	
In Service/Staff Development		1,479	
Other Charges		100	
Total Fiscal Services			156,424

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Human Services/Personnel

Supervisor/Director	\$	50,308	
Social Security		3,038	
Pensions		4,482	
Employer Medicare		711	
Travel		2,314	
Office Supplies		444	
In Service/Staff Development		615	
Administration Equipment		8,252	
Total Human Services/Personnel			\$ 70,164

Operation of Plant

Supervisor/Director	\$	40,878	
Social Security		2,400	
Pensions		3,695	
Medical Insurance		3,684	
Employer Medicare		561	
Janitorial Services		763,149	
Maintenance Agreements		11,818	
Disposal Fees		20,257	
Electricity		649,483	
Natural Gas		125,933	
Water and Sewer		60,441	
Boiler Insurance		8,355	
Building and Contents Insurance		148,054	
Total Operation of Plant			1,838,708

Maintenance of Plant

Supervisor/Director	\$	86,878	
Maintenance Personnel		188,344	
In-service Training		115	
Social Security		15,505	
Pensions		21,403	
Medical Insurance		45,585	
Employer Medicare		3,643	
Laundry Service		3,663	
Maintenance and Repair Services - Buildings		332,967	
Maintenance and Repair Services - Equipment		52,913	
Maintenance and Repair Services - Vehicles		485	
Rentals		19,050	
Travel		2,953	
Other Contracted Services		29,040	
General Construction Materials		21,379	
Tires and Tubes		40	
Other Supplies and Materials		442	
Other Charges		712	
Building Improvements		37,825	
Total Maintenance of Plant			862,942

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	37,107	
Mechanic(s)		132,001	
Bus Drivers		469,094	
Clerical Personnel		27,139	
In-service Training		7,885	
Social Security		36,507	
Pensions		49,758	
Medical Insurance		23,806	
Employer Medicare		9,704	
Contracts with Parents		8,540	
Laundry Service		2,339	
Maintenance and Repair Services - Vehicles		26,151	
Medical and Dental Services		2,938	
Travel		2,199	
Diesel Fuel		235,182	
Garage Supplies		9,247	
Gasoline		40,600	
Lubricants		5,489	
Tires and Tubes		43,548	
Vehicle Parts		62,382	
Other Supplies and Materials		900	
Vehicle and Equipment Insurance		45,610	
In Service/Staff Development		296	
Other Charges		42,446	
Transportation Equipment		492,930	
Total Transportation			\$ 1,813,798

Central and Other

Supervisor/Director	\$	48,359	
Computer Programmer(s)		113,264	
Social Security		9,430	
Pensions		13,101	
Medical Insurance		19,686	
Employer Medicare		2,205	
Maintenance and Repair Services - Equipment		2,540	
Travel		2,966	
Other Contracted Services		2,686	
Data Processing Supplies		3,174	
In Service/Staff Development		2,365	
Data Processing Equipment		35,057	
Total Central and Other			254,833

Operation of Non-instructional Services

Early Childhood Education

Supervisor/Director	\$	132,650	
Teachers		416,648	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education (Cont.)

Clerical Personnel	\$	16,240	
Educational Assistants		143,556	
Certified Substitute Teachers		9,667	
Non-certified Substitute Teachers		5,856	
Social Security		42,130	
Pensions		63,145	
Medical Insurance		65,917	
Employer Medicare		9,970	
Operating Lease Payments		5,553	
Travel		8,484	
Instructional Supplies and Materials		17,376	
Other Supplies and Materials		15,556	
In Service/Staff Development		6,500	
Other Charges		9,185	
Other Equipment		86,519	
Total Early Childhood Education			\$ 1,054,952

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	194,406	
Heating and Air Conditioning Equipment		164,170	
Total Regular Capital Outlay			358,576

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	732,309	
Total Education			732,309

Total General Purpose School Fund \$ 31,003,863

School Federal Projects Fund

Instruction

Regular Instruction Program

Supervisor/Director	\$	2,500	
Teachers		983,989	
Educational Assistants		63,621	
Part-time Personnel		16,113	
Other Salaries and Wages		55,748	
Certified Substitute Teachers		6,590	
Non-certified Substitute Teachers		7,418	
Social Security		65,612	
Pensions		97,268	
Medical Insurance		85,666	
Employer Medicare		15,845	
Other Contracted Services		10,857	
Instructional Supplies and Materials		142,631	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$	5,134	
In Service/Staff Development		216	
Regular Instruction Equipment		76,076	
Other Equipment		161	
Total Regular Instruction Program			\$ 1,635,445

Special Education Program

Teachers	\$	3,138	
Educational Assistants		432,572	
Social Security		25,255	
Pensions		34,867	
Medical Insurance		15,638	
Employer Medicare		6,123	
Evaluation and Testing		1,056	
Instructional Supplies and Materials		139,064	
Other Supplies and Materials		2,476	
Special Education Equipment		80,878	
Total Special Education Program			741,067

Vocational Education Program

Educational Assistants	\$	8,097	
Social Security		502	
Pensions		721	
Employer Medicare		117	
Other Supplies and Materials		31,870	
Vocational Instruction Equipment		7,418	
Total Vocational Education Program			48,725

Support Services

Other Student Support

Travel	\$	13,800	
Other Supplies and Materials		5,804	
In Service/Staff Development		5,986	
Total Other Student Support			25,590

Regular Instruction Program

Supervisor/Director	\$	130,481	
Teachers		7,500	
Clerical Personnel		23,739	
Other Salaries and Wages		11,394	
Non-certified Substitute Teachers		660	
Social Security		10,568	
Pensions		15,618	
Medical Insurance		9,719	
Employer Medicare		2,472	
Travel		16,461	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Library Books/Media	\$	3,493	
Other Supplies and Materials		57,497	
In Service/Staff Development		83,113	
Other Equipment		2,111	
Total Regular Instruction Program			\$ 374,826

Special Education Program

Assessment Personnel	\$	131,212	
Social Security		6,158	
Pensions		9,655	
Medical Insurance		14,491	
Employer Medicare		1,794	
Maintenance and Repair Services - Equipment		700	
Travel		19,887	
Other Contracted Services		14,000	
Other Supplies and Materials		179	
In Service/Staff Development		10,973	
Other Charges		1,115	
Other Equipment		676	
Total Special Education Program			210,840

Vocational Education Program

Travel	\$	1,298	
Total Vocational Education Program			1,298

Transportation

Bus Drivers	\$	68,527	
Other Salaries and Wages		33,203	
Social Security		5,837	
Pensions		8,335	
Employer Medicare		1,485	
Diesel Fuel		14,000	
Total Transportation			131,387

Operation of Non-instructional Services

Community Services

Teachers	\$	264,496	
Educational Assistants		16,365	
Other Salaries and Wages		16,702	
Social Security		17,782	
Pensions		25,858	
Employer Medicare		4,157	
Instructional Supplies and Materials		1,702	
In Service/Staff Development		4,187	
Other Charges		9,842	
Total Community Services			361,091

Total School Federal Projects Fund \$ 3,530,269

(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	60,758	
Accountants/Bookkeepers		32,366	
Cafeteria Personnel		765,336	
Social Security		51,755	
Pensions		71,114	
Medical Insurance		34,224	
Employer Medicare		12,104	
Communication		3,743	
Data Processing Services		3,600	
Dues and Memberships		465	
Maintenance and Repair Services - Equipment		18,762	
Printing, Stationery, and Forms		327	
Travel		4,596	
Permits		800	
Other Contracted Services		18,559	
Electricity		28,355	
Food Supplies		1,095,677	
Natural Gas		4,227	
Office Supplies		2,095	
Uniforms		20,537	
Water and Sewer		2,766	
USDA - Commodities		134,584	
Other Supplies and Materials		98,922	
Refunds		543	
In Service/Staff Development		815	
Other Charges		2,740	
Food Service Equipment		37,822	
Total Food Service			\$ 2,507,592

Total Central Cafeteria Fund \$ 2,507,592

Total Governmental Funds - Hardeman County School Department \$ 37,041,724

Exhibit J-9

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

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,689,661
Total Cash Receipts	<u>\$ 1,689,661</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,672,765
Trustee's Commission	16,896
Total Cash Disbursements	<u>\$ 1,689,661</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
Cash Balance, June 30, 2015	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
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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

Hardeman County Mayor and
Board of County Commissioners
Hardeman 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 Hardeman County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hardeman County's basic financial statements, and have issued our report thereon dated September 8, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-002 and 2015-003 (B,C).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardeman 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: 2015-001, 2015-003 (A), 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008.

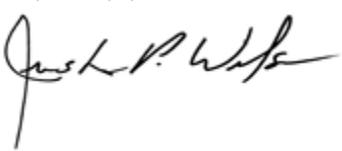
Hardeman County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hardeman 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 8, 2015

JPW/sb



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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hardeman County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hardeman County's major federal programs for the year ended June 30, 2015. Hardeman 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 Hardeman 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 Hardeman County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hardeman County's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Hardeman 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 Hardeman 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 Hardeman 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.

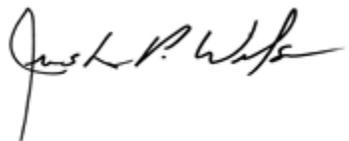
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 Hardeman County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hardeman County's basic financial statements. We issued our report thereon dated September 8, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 8, 2015

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 589,272
National School Lunch Program	10.555	N/A	1,411,586 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	134,584 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	78,823
Total U.S. Department of Agriculture			<u>\$ 2,214,265</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.unknown	(2)	\$ 107,872
Total U.S. Department of Defense			<u>\$ 107,872</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 13,500
Total U.S. Department of Justice			<u>\$ 13,500</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	AERO-14-181	\$ 59,071
Total U.S. Department of Transportation			<u>\$ 59,071</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,127,811
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,040,347
Special Education - Preschool Grants	84.173	N/A	87,077
Career and Technical Education - Basic Grants to States	84.048	N/A	70,667
Twenty-first Century Community Learning Centers	84.287	N/A	365,937
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	162,962
Rural Education	84.358	N/A	64,233
Improving Teacher Quality State Grants	84.367	N/A	230,475
School Improvement Grants	84.377	N/A	385,153
Total U.S. Department of Education			<u>\$ 3,534,662</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Preventive Health and Health Services Block Grant	93.991	(2)	\$ 176,570
Total U.S. Department of Health and Human Services			<u>\$ 176,570</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	34101-00913	\$ 10,950
Homeland Security Grant Program	97.067	(2)	5,694
Total U.S. Department of Homeland Security			<u>\$ 16,644</u>
Total Expenditures of Federal Awards			<u>\$ 6,122,584</u>

(Continued)

Hardeman County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

		<u>Contract Number</u>	
<u>State Grants</u>			
Coordinated School Health - State Department of Education	N/A	(2)	\$ 99,855
Early Childhood Education - State Department of Education	N/A	(2)	1,042,710
Connectenn - State Department of Education	N/A	(2)	11,084
ACT/Explore - State Department of Education	N/A	(2)	5,288
Arts Student Ticket Subsidy - Department of Education	N/A	(2)	2,070
Safe Schools - State Department of Education	N/A	(2)	24,320
Waste Tire Grant - State Department of Environment and Conservation	N/A	30046	6,466
Used Oil Grant - State Department of Environment and Conservation	N/A	39878	27,345
Governor's Highway Safety Grant - State Department of Transportation	N/A	(2)	8,684
Three-Star Grant - State Department of Economic and Community Development	N/A	62-6000647	1,761
Airport Maintenance Program - State Department of Transportation	N/A	AEROM12203	5,297
Litter Grant - State Department of Transportation	N/A	(2)	<u>35,317</u>
Total State Grants			<u>\$ 1,270,197</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 \$1,546,170.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. There were no findings in the Annual Financial Report for Hardeman County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

HARDEMAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hardeman County is unmodified.
2. The audit of the financial statements of Hardeman County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Hardeman County.
4. The audit disclosed no material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Twenty-first Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hardeman County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The former and current county mayors and the director of schools provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR – FORMER COUNTY MAYOR

FINDING 2015-001 **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF AN AMBULANCE CHASSIS (Noncompliance Under *Government Auditing Standards*)**

In August 2014, the county purchased a new ambulance chassis and remounted the existing ambulance box for \$87,700 without soliciting competitive bids. Purchasing procedures for the County Mayor's Office are governed by Chapter 90, Private Acts of 1989, as amended, which requires the solicitation of bids through newspaper advertisements for all purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by Chapter 90, Private Acts of 1989, as amended.

MANAGEMENT'S RESPONSE – WILLIE SPENCER, FORMER COUNTY MAYOR

The county decided to purchase a Frazer chassis so we could remount an existing Frazer box. The former ambulance service director stated that the box's warranty would only be continued if the Frazer box was mounted on a Frazer chassis. Also, he stated that there were no ambulance dealerships in the State of Tennessee; therefore, e-mails were sent to the few companies selling ambulances. No company other than Frazer would bid on a remount of a Frazer box on a Frazer chassis. The remount and chassis bid by Frazer was \$87,700. A new ambulance was estimated to cost \$130,000, so the remount actually saved the county taxpayers money. I have always encouraged department heads to follow purchasing procedures as outlined in Chapter 90, Private Acts of 1989, as amended.

AUDITOR'S COMMENT

There was no documentation provided to auditors of any bids or competitive quotes solicited or received by the Ambulance Service for this purchase. Competitive bids should be solicited through newspaper advertisement for all purchases exceeding \$10,000. In addition, the invoice described the purchase as a Chevrolet C3500 chassis, and there was no indication that this item was only available from Frazer, Ltd. Also, it should be noted that Chapter 90, Private Acts of 1989, as amended, designates the county mayor as the county purchasing agent and authorizes the mayor to make purchases for all agencies, offices, and departments of the county. Purchases should not be made by individual departments since

it is the responsibility of the county mayor to comply with the bid requirements of the private act.

OFFICE OF COUNTY MAYOR – CURRENT COUNTY MAYOR

FINDING 2015-002

SOME INVOICES WERE NOT PAID TIMELY

(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 41 disbursements totaling \$254,798 from a population of 3,684 vendor checks totaling \$7,419,096. Our examination revealed that in five of 41 applicable instances, interest and/or service charges were incurred due to the late payment of the invoices. Also, we noted numerous other invoices that included service charges; however, these service charges were not remitted when these invoices were ultimately paid. In addition, we observed several overdue unpaid invoices on hand that included service charges. We were unable to determine whether the remaining service charges will eventually have to be paid by the county. Sound business practices dictate that invoices should be paid when due to avoid unnecessary interest and/or service charges.

RECOMMENDATION

All invoices should be paid on a timely basis to avoid the assessment of interest and service charges.

MANAGEMENT’S RESPONSE – JIMMY SAIN, CURRENT COUNTY MAYOR

Management concurs with this finding. The county’s accounts payable clerk retired in September 2014. She asked to be allowed to work part-time until her replacement was found; however, the part-time employment did not work out. The office had no backup plan for accounts payable since we had not cross-trained other employees. There are only two employees in the Mayor’s Office. An accountant was hired on December 1, 2014. Some invoices were not processed in a timely manner but were never excessively late. Many of the invoices were not processed due to improper authorization of purchases and lack of purchase orders and signatures.

AUDITOR’S COMMENT

Internal control is strengthened by cross-training employees for multiple duties. All invoices should be paid timely. All purchases should be properly authorized as evidenced through the issuance of purchase orders with authorizing signatures.

FINDING 2015-003

DEFICIENCIES WERE NOTED IN THE OPERATIONS OF THE AIRPORT

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

Our examination of the Hardeman County Airport disclosed the following deficiencies. These deficiencies can be attributed to a lack of management oversight and a lack of understanding of state statutes, internal controls, and sound business practices.

- A. Official prenumbered receipts were not issued by airport personnel for fees collected from hangar rentals. Section 9-2-103, *Tennessee Code Annotated (TCA)*, requires official prenumbered receipts for all collections. Since receipts were not issued, we could not determine if all collections had been accounted for properly. In addition, we were unable to determine if the office had complied with Section 5-8-207, *TCA*. This statute requires officials to deposit all collections within three days of receipt. The failure to issue receipts at the time of collection and the failure to deposit funds promptly increases the risks of fraud and abuse.
- B. The airport did not maintain adequate records of amounts due and collected for hangar rentals. Due to the lack of records and the failure to issue receipts as noted above, we were unable to determine if all amounts due had been collected from individuals renting hangars. The failure to maintain adequate records could result in a loss of revenue to the county.
- C. The county had not adopted written guidelines governing the rental of airport hangars. We were advised by the airport director that there were no predetermined due dates for rental payments and no procedures for collections. Sound business practices dictate that management should provide written guidelines determining the rental amounts and payment schedules. The lack of a formal policy increases the risk of abuse.

RECOMMENDATION

Official prenumbered receipts should be issued at the time of collection, and all collections should be deposited within three days of receipt as required by state statutes. Adequate records should be maintained of the amounts due and subsequently collected for airport hangar rentals. The county should adopt written guidelines governing the rentals of airport hangars. These guidelines should include the rental amounts and payment schedules.

MANAGEMENT'S RESPONSE – JIMMY SAIN, CURRENT COUNTY MAYOR

Management concurs with this finding. The Hardeman County Airport employed a new part-time manager in September 2014. The county has never adopted a policy or guidelines for renting the airport's ten hangars. There are contracts with the tenants. A policy with guidelines will be adopted, and prenumbered receipts will be utilized.

FINDING 2015-004

DRUG CONTROL FUNDS WERE EXPENDED IMPROPERLY

(Noncompliance Under *Government Auditing Standards*)

During the year, monies from the Drug Control Fund were used to purchase a county-wide membership for air medical transportation (\$6,577) and to reimburse the General Fund for a local basketball program sponsorship (\$299). Section 39-17-420, *Tennessee Code Annotated (TCA)*, provides that drug control funds can only be expended for: (1) the local drug enforcement program, (2) the local drug education program, (3) the local drug treatment program, and (4) nonrecurring general law enforcement expenditures. Expenditures such as those noted above do not meet any of the four criteria for the expenditure of drug funds.

RECOMMENDATION

Drug Control Fund monies should only be expended for purposes that comply with the criteria as provided by state statute.

MANAGEMENT'S RESPONSE – JIMMY SAIN, CURRENT COUNTY MAYOR

Management strongly disagrees with this finding. The county-wide air medical membership was purchased with drug funds as an educational program. The mayor and sheriff held a press conference to discuss the dangers of our people consuming, producing, and living in meth environments. Meth is a serious problem in West Tennessee. The sheriff's deputies are exposed unknowingly as they enter areas of meth environments. Being 70 miles away from a major trauma facility, it is imperative that our people have air medical transportation. Each family in Hardeman County receives a letter from the sheriff explaining the air medical coverage and the dangers of meth environments. The *TCA* does not define educational programs. It is an opinion whether this program is an education program, and we feel our opinion is correct. The basketball sponsorship is an educational program associated with our school system.

AUDITOR'S COMMENT

Section 39-17-420, *TCA*, provides that drug control funds can be expended for the local drug education program. Although the statute does not define a qualifying program, the intent is clearly to expend these funds on a program provided solely for drug education such as D.A.R.E. (Drug Abuse Resistance Education). Air medical transportation memberships and basketball sponsorships are not local drug education programs. It is not an acceptable use of drug control funds to expend them for other purposes that do not meet the above-noted criteria.

FINDING 2015-005

**THE SOLID WASTE OFFICE HAD DEFICIENCIES IN
COMPUTER SYSTEM BACKUP PROCEDURES**

(Noncompliance Under *Government Auditing Standards*)

System backups were not always maintained off-site. Although system backups were taken off-site each evening, the backups were returned to the office at the beginning of the next day. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied daily to storage media, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in January 2015.

RECOMMENDATION

Management should ensure that backups are rotated off-site on a weekly basis.

FINDING 2015-006

**A CASH SHORTAGE OF AT LEAST \$3,062.72 EXISTED
AT SEPTEMBER 9, 2014, IN THE SOLID WASTE
OFFICE**

(Noncompliance Under *Government Auditing Standards*)

On February 4, 2015, the Comptroller's Office of Financial Compliance and Investigations issued a special report on the Hardeman County Solid Waste Office for the period July 1, 2013, through September 9, 2014. This report disclosed that a former employee failed to make deposits of collections of at least \$3,062.72. This report is available at www.comptroller.tn.gov. The former employee was indicted by a grand jury on May 4, 2015, on one count of theft of property between \$1,000 and \$10,000 and two counts of official misconduct. The next court date is tentatively set for November 6, 2015.

HARDEMAN COUNTY

FINDING 2015-007

**COMPENSATION WAS PAID IN-LIEU-OF INSURANCE
BENEFITS TO SOME EMPLOYEES**

(Noncompliance Under *Government Auditing Standards*)

It is the policy of Hardeman County to provide health insurance coverage for their employees. During the year, the Hardeman County Commission approved a plan allowing general government employees with spouses employed by the Hardeman County School Department to decline the county insurance plan and obtain coverage under the School Department's family insurance plan. These general government employees were paid up to

\$500 per month to cover their cost under the School Department's family insurance plan. In addition, Highway Department employees were paid up to \$500 per month to cover their cost under the School Department's or the general government's family insurance plans. The state attorney general has opined (Opinion 04-162) that "Counties do not have the authority to make a cash payment to an official or employee who elects not to participate in the county insurance plan."

RECOMMENDATION

The county should not pay employees additional compensation to cover their insurance costs under another health plan.

MANAGEMENT'S RESPONSE – JIMMY SAIN, CURRENT COUNTY MAYOR

Management strongly disagrees with this finding. The County Commission approved a plan to reimburse employees for out-of-pocket expenses to be covered on their spouse's insurance plan. This eliminates wasteful double coverage. The employee must submit an invoice or check stub and proof of insurance coverage to be eligible for reimbursement. This is not a cash payment in-lieu-of insurance coverage.

AUDITOR'S COMMENT

Employees were paid up to \$500 for the cost of family coverage under their spouse's plan. Employees may have been required to provide documentation of their actual amount of the cost of another plan; however, this program is still a cash payment to an official or employee who is paid an amount in-lieu-of participating in their own department's insurance plan.

FINDING 2015-008

THE COUNTY VIOLATED THE CONFLICT OF INTEREST STATUTE AND MADE PURCHASES FROM BUSINESSES OWNED BY A COUNTY COMMISSIONER AND THE COUNTY MAYOR

(Noncompliance Under *Government Auditing Standards*)

During the period September 1, 2014, through June 30, 2015, payments totaling \$3,056 were made from the General (\$606) and General Purpose School (\$2,450) funds to purchase merchandise from AJ's Sports and Awards, a business owned by John Vickers, a member of the County Commission. Also, fire extinguisher services totaling \$449 were purchased from Emergency One, a business owned by County Mayor Jimmy Sain. The payments for fire extinguisher services were made from the General (\$327), Solid Waste Disposal (\$81), and Highway/Public Works (\$41) funds. These payments to businesses owned by a member of the County Commission and the county mayor violate the state conflict of interest statute, Section 12-4-101(a)(1), *Tennessee Code Annotated*. This statute states that "it is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any

municipal corporation, county ... shall or may be interested, to be directly interested in any such contract.”

RECOMMENDATION

County officials should review these payments and resolve the conflicts of interest.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The administration of the Hardeman County Board of Education has reviewed the noted payments. A list of all present Hardeman County Commissioners has been issued to all staff responsible for purchasing with a directive not to purchase from such county commissioners or any business in which commissioners may be directly interested.

MANAGEMENT’S RESPONSE – JIMMY SAIN, CURRENT COUNTY MAYOR

Commission John Vickers took office in September 2014 and has been the owner of AJ’s Sports and Awards for many years. He is the sole provider in this county of many of the purchased goods by the Board of Education and county. He has sold the business and is no longer the owner. Emergency One Fire Extinguisher Service has maintained the county offices for 25 years on an annual basis. They are the sole provider of this service in Hardeman County. The county mayor is responsible for the courthouse fire safety only, and no bills have been paid for extinguisher service at the courthouse. Each elected official controls their purchases and vendors on items less than \$300. Jimmy Sain has not been an active partner in this business for several years and has never serviced the county office accounts for Emergency One. He is no longer a partner in this business.

AUDITOR’S COMMENT

We have not been provided with any documentation supporting the determination of these businesses as sole source suppliers for Hardeman County. Since the School Department used another fire extinguisher company, there was at least one other provider of this service for Hardeman County. The county mayor, who is also the county purchasing agent and chairman of the County Commission, does have oversight for all purchases made by elected officials and other departments of the county. During our audit, we were advised by the mayor that he was a partner in the Emergency One business, and that John Vickers was the owner of AJ’s Sports and Awards. County officials should make a determination of the current owners of these businesses and resolve any conflicts of interest.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

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

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

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

Hardeman County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

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