

ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2016

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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Director

MARK TREECE, CPA, CGFM
Audit Manager

PHILIP TOBY, CGFM
VERNA DAVIS
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State Auditors

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

HANCOCK COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Hancock County, Tennessee
For the Year Ended June 30, 2016

Scope

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2016.

Results

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

Our audit resulted in two findings and recommendations, which we have reviewed with Hancock 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

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

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

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Hancock County Officials
June 30, 2016

Officials

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

Board of County Commissioners

Dean Rhea, Chairman	Junior Martin
Wayne Bailey	John McDaniel
Tommy Belcher, Jr.	John McNeil
Johnny Bunch	Kenneth Rasnic
Ronald Cantwell	Gary Seal
Carlin Greene	Jason Sizemore
Ed Gulliver	Matthew Waddell
Bobby Johnson	Randy White
Kenny Lamb	

Board of Education

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

Audit Committee

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

FINANCIAL SECTION



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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Hancock County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plans on pages 85-92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

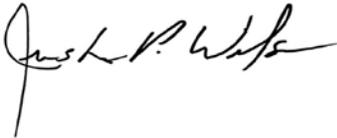
The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock County School Department (a discretely presented component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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2016, on our consideration of Hancock County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

Nashville, Tennessee

September 13, 2016

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hancock County School Department
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,784	\$ 0	\$ 1,784	\$ 23,947
Equity in Pooled Cash and Investments	2,837,382	2,207,028	5,044,410	2,470,125
Accounts Receivable	155,348	137,190	292,538	60
Allowance for Uncollectibles	(86,099)	(64,612)	(150,711)	0
Due from Other Governments	648,098	0	648,098	68,078
Property Taxes Receivable	1,687,578	0	1,687,578	683,575
Allowance for Uncollectible Property Taxes	(117,181)	0	(117,181)	(47,466)
Notes Receivable - Long-term	0	0	0	11,185
Capital Lease Receivable	1,343,634	0	1,343,634	0
Net Pension Asset - Cost-sharing Plan	0	0	0	3,957
Assets Not Depreciated:				
Land	572,474	26,350	598,824	453,150
Construction in Progress	358,734	0	358,734	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	1,500,158	285,553	1,785,711	9,207,178
Machinery and Equipment	369,158	0	369,158	648,420
Infrastructure	12,208,838	0	12,208,838	0
Total Assets	\$ 21,479,906	\$ 2,591,509	\$ 24,071,415	\$ 13,522,209
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 23,085	\$ 0	\$ 23,085	\$ 38,839
Pension Changes in Investment Earnings	71,954	0	71,954	874,186
Pension Contributions after Measurement Date	51,589	0	51,589	417,898
Total Deferred Outflows of Resources	\$ 146,628	\$ 0	\$ 146,628	\$ 1,330,923

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental	Business-type	Total	Hancock
	Activities	Activities		County
				School
				Department
<u>LIABILITIES</u>				
Accounts Payable	\$ 212,558	\$ 0	\$ 212,558	\$ 34,123
Accrued Payroll	36,929	18,635	55,564	0
Payroll Deductions Payable	6,356	2,328	8,684	0
Accrued Interest Payable	109,775	0	109,775	0
Due to the State of Tennessee	4,567	312	4,879	0
Other Current Liabilities	11,521	0	11,521	280,393
Noncurrent Liabilities:				
Due Within One Year	662,347	7,283	669,630	0
Due in More Than One Year (net of unamortized premium on debt)	12,023,374	7,283	12,030,657	423,434
Total Liabilities	<u>\$ 13,067,427</u>	<u>\$ 35,841</u>	<u>\$ 13,103,268</u>	<u>\$ 737,950</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,511,980	\$ 0	\$ 1,511,980	\$ 612,447
Pension Changes in Experience	11,309	0	11,309	754,567
Pension Changes in Investment Earnings	95,901	0	95,901	1,186,321
Pensions - Other Deferrals	0	0	0	36,061
Total Deferred Inflows of Resources	<u>\$ 1,619,190</u>	<u>\$ 0</u>	<u>\$ 1,619,190</u>	<u>\$ 2,589,396</u>

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental	Business-type	Total	Hancock
	Activities	Activities		School
				Department
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 14,900,414	\$ 311,903	\$ 15,212,317	\$ 10,308,748
Restricted For:				
General Government	17,324	0	17,324	0
Administration of Justice	5,683	0	5,683	0
Public Safety	105,635	0	105,635	0
Public Health and Welfare	46,287	0	46,287	0
Highways	981,936	0	981,936	0
Debt Service	1,477,446	0	1,477,446	0
Capital Projects	28,830	0	28,830	0
Education	0	0	0	246,371
Unrestricted	(10,623,638)	2,243,765	(8,379,873)	970,667
Total Net Position	\$ 6,939,917	\$ 2,555,668	\$ 9,495,585	\$ 11,525,786

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

Exhibit B

Hancock County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							Component Unit Hancock County School Department
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 660,836	\$ 29,324	\$ 25,164	\$ 14,400	\$ (591,948)	\$ 0	\$ (591,948)	\$ 0
Finance	490,899	137,172	0	0	(353,727)	0	(353,727)	0
Administration of Justice	314,382	119,963	18,000	0	(176,419)	0	(176,419)	0
Public Safety	2,035,018	1,098,393	79,120	0	(857,505)	0	(857,505)	0
Public Health and Welfare	1,349,008	483,585	6,582	141,938	(716,903)	0	(716,903)	0
Social, Cultural, and Recreational Services	76,790	5,597	0	0	(71,193)	0	(71,193)	0
Agriculture and Natural Resources	60,255	0	0	0	(60,255)	0	(60,255)	0
Highways	1,603,702	14,657	1,372,152	364,451	147,558	0	147,558	0
Education	211,241	0	0	0	(211,241)	0	(211,241)	0
Interest on Long-term Debt	420,111	0	0	0	(420,111)	0	(420,111)	0
Total Governmental Activities	\$ 7,222,242	\$ 1,888,691	\$ 1,501,018	\$ 520,789	\$ (3,311,744)	\$ 0	\$ (3,311,744)	\$ 0
Business-type Activities:								
Home Health	\$ 2,158,792	\$ 2,483,238	\$ 0	\$ 0	\$ 0	\$ 324,446	\$ 324,446	\$ 0
Total Business-type Activities	\$ 2,158,792	\$ 2,483,238	\$ 0	\$ 0	\$ 0	\$ 324,446	\$ 324,446	\$ 0
Total Primary Government	\$ 9,381,034	\$ 4,371,929	\$ 1,501,018	\$ 520,789	\$ (3,311,744)	\$ 324,446	\$ (2,987,298)	\$ 0
Component Unit:								
Hancock County School Department	\$ 10,063,666	\$ 74,514	\$ 2,341,018	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,648,134)
Total Component Unit	\$ 10,063,666	\$ 74,514	\$ 2,341,018	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,648,134)

(Continued)

Exhibit B

Hancock County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Hancock County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,479,482	\$ 0	\$ 1,479,482	\$ 637,554
Property Taxes Levied for Debt Service					97,853	0	97,853	0
Local Option Sales Taxes					52,106	0	52,106	242,006
Wheel Tax					57,173	0	57,173	57,173
Litigation Tax - General					5,924	0	5,924	0
Litigation Tax - Special Purpose					3,060	0	3,060	0
Litigation Tax - Jail, Workhouse, or Courthouse					4,199	0	4,199	0
Litigation Tax - Courtroom Security					908	0	908	0
Business Tax					22,025	0	22,025	0
Wholesale Beer Tax					2,289	0	2,289	928
Interstate Telecommunications Tax					478	0	478	600
Grants and Contributions Not Restricted to Specific Programs					1,228,947	0	1,228,947	6,835,621
Unrestricted Investment Income					31,404	0	31,404	1,049
Miscellaneous					19,434	4,349	23,783	64,129
Total General Revenues					\$ 3,005,282	\$ 4,349	\$ 3,009,631	\$ 7,839,060
Transfers					\$ 340,000	\$ (340,000)	\$ 0	\$ 0
Change in Net Position					\$ 33,538	\$ (11,205)	\$ 22,333	\$ 190,926
Net Position, July 1, 2015					6,906,379	2,566,873	9,473,252	11,334,860
Net Position, June 30, 2016					\$ 6,939,917	\$ 2,555,668	\$ 9,495,585	\$ 11,525,786

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

Exhibit C-1

Hancock County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 100	\$ 0	\$ 0	\$ 1,684	\$ 1,784
Equity in Pooled Cash and Investments	328,855	769,638	1,581,042	157,847	2,837,382
Accounts Receivable	150,225	1,494	3,396	233	155,348
Allowance for Uncollectibles	(86,099)	0	0	0	(86,099)
Due from Other Governments	295,761	223,586	194	128,557	648,098
Due from Other Funds	1,684	0	0	0	1,684
Property Taxes Receivable	1,291,647	0	104,593	291,338	1,687,578
Allowance for Uncollectible Property Taxes	(89,371)	0	(6,310)	(21,500)	(117,181)
Capital Lease Receivable	0	0	1,343,634	0	1,343,634
Total Assets	\$ 1,892,802	\$ 994,718	\$ 3,026,549	\$ 558,159	\$ 6,472,228
<u>LIABILITIES</u>					
Accounts Payable	\$ 64,361	\$ 0	\$ 0	\$ 148,197	\$ 212,558
Accrued Payroll	35,392	0	0	1,537	36,929
Payroll Deductions Payable	6,356	0	0	0	6,356
Due to Other Funds	0	0	0	1,684	1,684
Due to State of Tennessee	4,317	0	0	250	4,567
Other Current Liabilities	7,143	4,378	0	0	11,521
Total Liabilities	\$ 117,569	\$ 4,378	\$ 0	\$ 151,668	\$ 273,615
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,157,909	\$ 0	\$ 95,695	\$ 258,376	\$ 1,511,980
Deferred Delinquent Property Taxes	43,016	0	2,509	11,113	56,638

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds	
				Other Govern- mental Funds	
<u>DEFERRED INFLOWS OF RESOURCES (Cont.)</u>					
Other Deferred/Unavailable Revenue	\$ 210,958	\$ 111,793	\$ 1,343,699	\$ 14,575	\$ 1,681,025
Total Deferred Inflows of Resources	\$ 1,411,883	\$ 111,793	\$ 1,441,903	\$ 284,064	\$ 3,249,643
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 17,324	\$ 0	\$ 0	\$ 0	\$ 17,324
Restricted for Administration of Justice	5,683	0	0	0	5,683
Restricted for Public Safety	81,349	0	0	24,286	105,635
Restricted for Public Health and Welfare	34,999	0	0	0	34,999
Restricted for Highways/Public Works	0	878,547	0	0	878,547
Restricted for Debt Service	0	0	1,584,646	0	1,584,646
Restricted for Capital Projects	0	0	0	14,430	14,430
Committed:					
Committed for Public Health and Welfare	0	0	0	83,711	83,711
Assigned:					
Assigned for Social, Cultural, and Recreational Services	971	0	0	0	971
Assigned for Other Purposes	135,939	0	0	0	135,939
Unassigned	87,085	0	0	0	87,085
Total Fund Balances	\$ 363,350	\$ 878,547	\$ 1,584,646	\$ 122,427	\$ 2,948,970
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,892,802	\$ 994,718	\$ 3,026,549	\$ 558,159	\$ 6,472,228

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

Exhibit C-2

Hancock County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

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)		\$	2,948,970
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	572,474	
Add: construction in progress		358,734	
Add: buildings and improvements net of accumulated depreciation		1,500,158	
Add: machinery and equipment net of accumulated depreciation		369,158	
Add: infrastructure net of accumulated depreciation		<u>12,208,838</u>	15,009,362
(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	\$	(106,753)	
Less: bonds payable		(12,025,000)	
Less: unamortized premium on debt		(45,713)	
Less: compensated absences payable		(47,174)	
Less: landfill closure/postclosure care costs		(78,700)	
Less: other postemployment benefits liability		(58,609)	
Less: accrued interest on bonds, notes, and capital leases		(109,775)	
Less: net pension liability		<u>(323,772)</u>	(12,795,496)
(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	\$	146,628	
Less: deferred inflows of resources related to pensions		<u>(107,210)</u>	39,418
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,737,663</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>6,939,917</u></u>

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

Exhibit C-3

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,354,537	\$ 0	\$ 97,934	\$ 272,313	\$ 1,724,784
Licenses and Permits	95	0	0	0	95
Fines, Forfeitures, and Penalties	41,491	0	0	3,339	44,830
Charges for Current Services	530,373	0	0	605	530,978
Other Local Revenues	91,620	16,271	35,004	4,823	147,718
Fees Received From County Officials	235,819	0	0	0	235,819
State of Tennessee	1,436,950	1,722,049	255	144,714	3,303,968
Federal Government	0	14,554	0	3,000	17,554
Other Governments and Citizens Groups	106,270	0	803,525	0	909,795
Total Revenues	\$ 3,797,155	\$ 1,752,874	\$ 936,718	\$ 428,794	\$ 6,915,541
<u>Expenditures</u>					
Current:					
General Government	\$ 629,860	\$ 0	\$ 0	\$ 0	\$ 629,860
Finance	490,411	0	0	0	490,411
Administration of Justice	313,199	0	0	600	313,799
Public Safety	1,947,338	0	0	2,589	1,949,927
Public Health and Welfare	789,887	0	0	296,889	1,086,776
Social, Cultural, and Recreational Services	70,373	0	0	0	70,373
Agriculture and Natural Resources	59,773	0	0	0	59,773
Other Operations	8,402	0	0	20,000	28,402
Highways	0	1,525,343	0	0	1,525,343
Capital Outlay	0	0	0	73,753	73,753
Debt Service:					
Principal on Debt	66,368	0	573,000	6,247	645,615
Interest on Debt	3,198	0	375,476	0	378,674

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>					
Debt Service (Cont.)					
Other Debt Service	\$ 0	\$ 0	\$ 256,642	\$ 0	\$ 256,642
Capital Projects	0	0	0	154,517	154,517
Total Expenditures	\$ 4,378,809	\$ 1,525,343	\$ 1,205,118	\$ 554,595	\$ 7,663,865
<u>Excess (Deficiency) of Revenues</u>					
Over Expenditures	\$ (581,654)	\$ 227,531	\$ (268,400)	\$ (125,801)	\$ (748,324)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 80,000	\$ 80,000
Refunding Debt Issued	0	0	9,205,000	0	9,205,000
Premiums on Debt Sold	0	0	47,462	0	47,462
Transfers In	362,000	0	0	0	362,000
Transfers Out	0	0	0	(22,000)	(22,000)
Payments to Refunded Debt Escrow Agent	0	0	(9,030,570)	0	(9,030,570)
Total Other Financing Sources (Uses)	\$ 362,000	\$ 0	\$ 221,892	\$ 58,000	\$ 641,892
Net Change in Fund Balances	\$ (219,654)	\$ 227,531	\$ (46,508)	\$ (67,801)	\$ (106,432)
Fund Balance, July 1, 2015	583,004	651,016	1,631,154	190,228	3,055,402
Fund Balance, June 30, 2016	\$ 363,350	\$ 878,547	\$ 1,584,646	\$ 122,427	\$ 2,948,970

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

Exhibit C-4

Hancock County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2016

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)		\$ (106,432)
(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	\$ 556,869	
Less: current-year depreciation expense	<u>(754,733)</u>	(197,864)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2016	\$ 1,737,663	
Less: deferred delinquent property taxes and other deferred June 30, 2015	<u>(1,737,424)</u>	239
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$ 540,000	
Add: principal payments on notes	70,423	
Add: principal payments on capital leases	35,192	
Less: capital outlay note proceeds	(80,000)	
Less: refunding debt issued	(9,205,000)	
Add: payment to refunding agent	9,030,570	
Add: change in premium on debt issuances	<u>(45,713)</u>	345,472
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (10,393)	
Change in compensated absences payable	(9,003)	
Change in other postemployment benefits liability	(11,391)	
Change in net pension liability	(57,504)	
Change in deferred outflows related to pensions	60,689	
Change in deferred inflows related to pensions	20,658	
Change in landfill closure/postclosure care costs	<u>(933)</u>	(7,877)
Change in net position of governmental activities (Exhibit B)		<u>\$ 33,538</u>

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

Exhibit C-5

Hancock County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,354,537	\$ 1,298,932	\$ 1,298,932	\$ 55,605
Licenses and Permits	95	0	0	95
Fines, Forfeitures, and Penalties	41,491	56,800	56,800	(15,309)
Charges for Current Services	530,373	831,500	831,500	(301,127)
Other Local Revenues	91,620	116,000	162,020	(70,400)
Fees Received From County Officials	235,819	236,000	236,000	(181)
State of Tennessee	1,436,950	1,224,564	1,264,354	172,596
Other Governments and Citizens Groups	106,270	48,500	95,030	11,240
Total Revenues	\$ 3,797,155	\$ 3,812,296	\$ 3,944,636	\$ (147,481)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 107,977	\$ 284,970	\$ 278,285	\$ 170,308
Board of Equalization	1,500	1,500	1,500	0
County Mayor/Executive	142,020	142,662	152,265	10,245
County Attorney	15,240	15,240	15,240	0
Election Commission	100,659	104,144	107,435	6,776
Register of Deeds	107,990	108,255	108,309	319
County Buildings	154,474	183,753	184,025	29,551
<u>Finance</u>				
Purchasing	63,776	70,815	70,923	7,147
Property Assessor's Office	111,323	112,693	112,693	1,370
Reappraisal Program	23,911	25,625	26,129	2,218
County Trustee's Office	123,621	134,882	134,936	11,315
County Clerk's Office	136,136	144,162	144,270	8,134
Other Finance	31,644	41,000	41,000	9,356
<u>Administration of Justice</u>				
Circuit Court	123,204	166,223	166,277	43,073
General Sessions Court	80,962	80,996	80,996	34
Drug Court	1,233	0	1,233	0
Chancery Court	107,800	110,679	110,679	2,879
<u>Public Safety</u>				
Sheriff's Department	606,386	589,277	653,453	47,067
Jail	1,230,341	997,061	1,333,561	103,220
Juvenile Services	9,882	15,890	15,944	6,062
Commissary	28,043	51,774	51,774	23,731
Civil Defense	32,972	37,036	37,144	4,172
Rescue Squad	1,376	1,400	1,400	24
County Coroner/Medical Examiner	31,766	31,000	31,000	(766)
Other Public Safety	6,572	6,700	6,700	128
<u>Public Health and Welfare</u>				
Local Health Center	50,033	60,000	60,054	10,021
Ambulance/Emergency Medical Services	667,773	685,524	686,283	18,510
Alcohol and Drug Programs	0	1,000	1,000	1,000
Crippled Children Services	415	415	415	0
Other Local Health Services	21,831	37,700	37,808	15,977
Sanitation Management	26,397	33,700	33,754	7,357
Sanitation Education/Information	422	0	0	(422)

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Public Health and Welfare	\$ 23,016	\$ 32,784	\$ 62,574	\$ 39,558
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	5,822	9,483	9,483	3,661
Libraries	62,576	63,434	63,541	965
Other Social, Cultural, and Recreational	1,975	0	0	(1,975)
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	40,762	49,929	49,929	9,167
Soil Conservation	19,011	17,520	19,440	429
<u>Other Operations</u>				
Veterans' Services	8,402	9,978	10,032	1,630
<u>Principal on Debt</u>				
General Government	66,368	64,333	66,368	0
<u>Interest on Debt</u>				
General Government	3,198	5,235	3,200	2
Total Expenditures	\$ 4,378,809	\$ 4,528,772	\$ 4,971,052	\$ 592,243
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (581,654)	\$ (716,476)	\$ (1,026,416)	\$ 444,762
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 362,000	\$ 650,000	\$ 670,000	\$ (308,000)
Total Other Financing Sources	\$ 362,000	\$ 650,000	\$ 670,000	\$ (308,000)
Net Change in Fund Balance				
Fund Balance, July 1, 2015	\$ (219,654)	\$ (66,476)	\$ (356,416)	\$ 136,762
Fund Balance, June 30, 2016	\$ 583,004	\$ 452,957	\$ 452,957	\$ 130,047
Fund Balance, June 30, 2016	\$ 363,350	\$ 386,481	\$ 96,541	\$ 266,809

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

Exhibit C-6

Hancock County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 16,271	\$ 0	\$ 0	\$ 16,271	\$ 0	\$ 0	\$ 16,271
State of Tennessee	1,722,049	0	0	1,722,049	1,604,170	1,604,170	117,879
Federal Government	14,554	0	0	14,554	0	0	14,554
Total Revenues	\$ 1,752,874	\$ 0	\$ 0	\$ 1,752,874	\$ 1,604,170	\$ 1,604,170	\$ 148,704
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 448,638	\$ 0	\$ 0	\$ 448,638	\$ 515,162	\$ 499,678	\$ 51,040
Highway and Bridge Maintenance	302,309	(11,155)	11,155	302,309	814,930	630,900	328,591
Operation and Maintenance of Equipment	78,308	0	0	78,308	173,086	167,186	88,878
Other Charges	73,506	0	0	73,506	78,952	78,952	5,446
Employee Benefits	137,331	0	0	137,331	131,454	141,554	4,223
Capital Outlay	485,251	0	151,155	636,406	473,630	623,630	(12,776)
Total Expenditures	\$ 1,525,343	\$ (11,155)	\$ 162,310	\$ 1,676,498	\$ 2,187,214	\$ 2,141,900	\$ 465,402
Excess (Deficiency) of Revenues Over Expenditures	\$ 227,531	\$ 11,155	\$ (162,310)	\$ 76,376	\$ (583,044)	\$ (537,730)	\$ 614,106
Net Change in Fund Balance	\$ 227,531	\$ 11,155	\$ (162,310)	\$ 76,376	\$ (583,044)	\$ (537,730)	\$ 614,106
Fund Balance, July 1, 2015	651,016	(11,155)	0	639,861	583,044	583,044	56,817
Fund Balance, June 30, 2016	\$ 878,547	\$ 0	\$ (162,310)	\$ 716,237	\$ 0	\$ 45,314	\$ 670,923

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

Exhibit D-1

Hancock County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2016

Business-type
 Activities -
 Major Enterprise
 Fund

 Home
 Health
 Fund

ASSETS

Current Assets:	
Equity in Pooled Cash and Investments	\$ 2,207,028
Accounts Receivable	137,190
Allowance for Uncollectibles	(64,612)
Total Current Assets	<u>\$ 2,279,606</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,350
Assets Net of Accumulated Depreciated:	
Buildings and Improvements	285,553
Total Noncurrent Assets	<u>\$ 311,903</u>
Total Assets	<u>\$ 2,591,509</u>

LIABILITIES

Current Liabilities:	
Accrued Payroll	\$ 18,635
Payroll Deductions Payable	2,328
Accrued Leave - Current	7,283
Due to State of Tennessee	312
Total Current Liabilities	<u>\$ 28,558</u>
Noncurrent Liabilities:	
Accrued Leave - Long-term	<u>\$ 7,283</u>
Total Noncurrent Liabilities	<u>\$ 7,283</u>
Total Liabilities	<u>\$ 35,841</u>

(Continued)

Exhibit D-1

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

	<u>Business-type Activities - Major Enterprise Fund</u> <u>Home Health Fund</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 311,903
Net Position - Unrestricted	<u>2,243,765</u>
Total Net Position	<u><u>\$ 2,555,668</u></u>

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

Exhibit D-2

Hancock County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	Business-type Activities - Major Enterprise Fund
	<u>Home Health Fund</u>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,287,464
Sale of Material and Supplies	195,774
Miscellaneous Refunds	4,349
Total Operating Revenues	<u>\$ 2,487,587</u>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 108,930
Medical Personnel	744,254
Night Watchmen	7,800
Clerical Personnel	97,459
Custodial Personnel	5,615
Bonus Payments	3,766
Other Salaries and Wages	7,310
Board and Committee Members Fees	2,250
In-service Training	1,582
Social Security	60,456
Employee and Dependent Insurance	46,743
Unemployment Compensation	6,009
Employer Medicare	14,139
Advertising	8,039
Communication	22,519
Data Processing	47,102
Dues and Memberships	4,768
Operating Lease Payments	3,605
Legal Services	5,580
Legal Notices, Recording, and Court Costs	3,470
Licenses	4,110
Maintenance and Repair Services - Buildings	1,918
Maintenance and Repair Services - Office Equipment	599
Maintenance and Repair Services - Vehicles	62

(Continued)

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund
	<u>Home Health Fund</u>
<u>Operating Expenses (Cont.)</u>	
<u>Cost of Sales and Services (Cont.)</u>	
Medical and Dental Services	\$ 935
Printing, Stationery, and Forms	727
Postal Charges	2,294
Rentals	18,045
Travel	103,499
Other Contracted Services	653,026
Custodial Supplies	1,562
Drugs and Medical Supplies	99,753
Electricity	9,436
Gasoline	819
Office Supplies	17,624
Propane Gas	2,003
Uniforms	474
Water and Sewer	2,088
Tires and Tubes	480
Other Supplies and Materials	7,693
Liability Insurance	5,266
Refunds	5,652
Vehicle and Equipment Insurance	2,496
Premium on Corporate Surety Bonds	261
Depreciation	8,561
Other Charges	6,678
Building Improvements	239
Office Equipment	1,096
Total Operating Expenses	<u>\$ 2,158,792</u>
Operating Income (Loss)	<u>\$ 328,795</u>
Income (Loss) Before Transfers	\$ 328,795
Transfers Out	<u>(340,000)</u>
Change in Net Position	\$ <u>(11,205)</u>
Net Position, July 1, 2015	<u>2,566,873</u>
Net Position, June 30, 2016	<u>\$ 2,555,668</u>

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

Exhibit D-3

Hancock County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,492,382
Payments to Employees and Board Members	(976,157)
Payments for Fringe Benefits	(127,216)
Payments to Suppliers	(1,048,205)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 340,804</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to Other Funds	\$ (340,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (340,000)</u>
Increase (Decrease) in Cash	\$ 804
Cash, July 1, 2015	<u>2,206,224</u>
Cash, June 30, 2016	<u><u>\$ 2,207,028</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	\$ 328,795
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	8,561
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(5,239)
Increase (Decrease) in Allowance for Uncollectibles	10,034
Increase (Decrease) in Accounts Payable and Other Current Liabilities	601
Increase (Decrease) in Compensated Absences	<u>(1,948)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 340,804</u></u>

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

Exhibit E

Hancock County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 237,936
Equity in Pooled Cash and Investments	709,405
Accounts Receivable	877
Due from Other Governments	30,912
Prepaid Items	<u>2,296</u>
Total Assets	<u>\$ 981,426</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 742,613
Due to Litigants, Heirs, and Others	<u>238,813</u>
Total Liabilities	<u>\$ 981,426</u>

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

HANCOCK COUNTY, TENNESSEE
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HANCOCK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hancock County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Hancock County:

A. Reporting Entity

Hancock County is a public municipal corporation governed by an elected 17-member board. As required by GAAP, these financial statements present Hancock County (the primary government) and its component units. Although required by GAAP, the financial statements of the Hancock County Emergency Communications District, a component unit requiring discreet presentation, discussed below were excluded from this report due to materiality calculations; therefore, the effect of its omission is not material to the aggregate discretely presented component units opinion unit and has not affected the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Hancock County School Department operates the public school system in the county, and the voters of Hancock County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Hancock County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hancock County, and the Hancock County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Hancock County

Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Hancock County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Hancock County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hancock County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Hancock County issues all debt for the discretely presented Hancock County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2016.

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

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

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

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

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

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

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

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

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

Hancock County reports the following major governmental funds:

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

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

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

Hancock County reports the following major proprietary fund:

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

Additionally, Hancock County reports the following fund types:

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

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

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

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

2. Receivables and Payables

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

All ambulance, home health, and property taxes receivable are shown with an allowance for uncollectibles. Ambulance and home health receivable allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 3.75 percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is

the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as 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.

Most payables are disaggregated on the face of the financial statements. Other current liabilities in the primary government's General and Highway/Public Works funds represent balances in the payroll tax clearing accounts at June 30, 2016. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teachers' insurance and other payroll related clearing accounts (\$258,123) and the School Board members' scholarship account (\$22,270) at June 30, 2016.

3. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15 - 40
Machinery and Equipment	5 - 15
Infrastructure:	
Roads	40
Bridges	40

4. Deferred Outflows/Inflows of Resources

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

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

5. Compensated Absences

It is the policy of Hancock County to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation of service. Also, the Hancock County Highway Department permits employees to accumulate a limited amount of earned but unused vacation benefits and sick leave, which will be paid to employees upon separation of service. These guaranteed payments are accrued when incurred in the government-wide financial statements. The granting of sick leave for other Hancock County employees has no guaranteed payment. A liability for vacation and sick leave benefits is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

6. Long-term Obligations

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

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

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

benefits, net pension liability, and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Position and Fund Balance

In the government-wide financial statements and the proprietary fund in the fund financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2016, Hancock County had \$8,477,560 in outstanding debt for capital purposes for the discretely presented Hancock County School Department. This debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hancock County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county’s capital assets.

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

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

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission and the Board of Education are authorized bodies to make assignments. Assigned fund balance in the General Fund consists of amounts appropriated for use in the 2016-17 year budget (\$135,939) and amounts assigned for library books (\$971). Assigned fund balance in the School Department's General Purpose School Fund consists of amounts appropriated for use in the 2016-17 year budget (\$225,517).

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.

E. Pension Plans

Primary Government

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

are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Hancock County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hancock County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Hancock County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2016, Hancock County reported the following significant encumbrances:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government:		
Major Fund:		
Highway/Public Works	Bridge construction	\$ 162,310

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the County Coroner/Medical Examiner, Sanitation Education/Information, and the Other Social, Cultural, and Recreational major appropriation categories (the legal level of control) of the General Fund by \$766, \$422 and \$1,975, respectively. Expenditures exceeded appropriations in the Capital Outlay major appropriation category of the Highway/Public Works Fund by \$12,776. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

The county had no pooled or nonpooled investments as of June 30, 2016.

B. Lease Receivable/Long-term Note Receivable

Primary Government

The General Debt Service Fund reports a lease receivable totaling \$1,343,634 at June 30, 2016. This lease receivable resulted from an agreement entered into by Hancock County and Wellmont Health System (Wellmont) to operate the hospital facility through 2028. Hancock County completed construction of the new hospital facility during the 2004-05 year and financed the facility through long-term debt and federal grants.

Under the original agreement, Wellmont paid the county lease payments that were equal to the amount of debt service requirements on the county's outstanding county Hospital debt. During the prior year the county amended its agreement with Wellmont resulting in reductions to the required lease payments, including the write-off of a disputed amount of \$29,512 and an annual credit of \$170,000, which is deducted from the principal requirements on the outstanding debt.

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

The county's outstanding debt related to the hospital is reconciled below with the balance reported as lease receivable at June 30, 2016.

	Balance 6-30-16
Hospital Bond	\$ 3,120,000
Hospital Refunding Bonds	<u>427,440</u>
Total Outstanding Debt Related to Hospital	\$ 3,547,440
Less: Balance of Future Credits and Adjustments based on Amendment to Lease	<u>(2,203,806)</u>
Total Lease Receivable	<u><u>\$ 1,343,634</u></u>

In the financial statements of the General Debt Service Fund, revenues of \$311,091 have been recognized from Wellmont during the year. This amount includes current payments under the amended agreement for principal and interest net of the \$170,000 annual credit. The entire amount of the balance for the lease receivable at June 30, 2016, is offset by deferred inflows of resources in the General Debt Service Fund.

Discretely Presented Hancock County School Department

In the 2005-06 fiscal year, the Hancock County Board of Education approved providing funds for tuition costs related to any teacher seeking a degree provided the teacher signs a promissory note and remains employed with the School Department for a minimum of three years. One employee who did not complete the requirements of the program has not yet reimbursed the School Department. Therefore, the financial statements of the General Purpose School Fund reflect a long-term note receivable of \$11,185 on June 30, 2016. The amount of notes receivable expected to be received within one year has not been determined. Therefore, the entire balance is reflected as a deferred inflow of resources.

C. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets Not Depreciated:			
Land	\$ 422,474	\$ 150,000	\$ 572,474
Construction in Progress	45,118	313,616	358,734
Total Capital Assets Not Depreciated	<u>\$ 467,592</u>	<u>\$ 463,616</u>	<u>\$ 931,208</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,602,285	\$ 0	\$ 3,602,285
Machinery and Equipment	2,684,678	93,253	2,777,931
Infrastructure	21,908,915	0	21,908,915
Total Capital Assets Depreciated	<u>\$ 28,195,878</u>	<u>\$ 93,253</u>	<u>\$ 28,289,131</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,010,359	\$ 91,768	\$ 2,102,127
Machinery and Equipment	2,293,531	115,242	2,408,773
Infrastructure	9,152,354	547,723	9,700,077
Total Accumulated Depreciation	<u>\$ 13,456,244</u>	<u>\$ 754,733</u>	<u>\$ 14,210,977</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,739,634</u>	<u>\$ (661,480)</u>	<u>\$ 14,078,154</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,207,226</u>	<u>\$ (197,864)</u>	<u>\$ 15,009,362</u>

There were no decreases in capital assets to report during the year ended June 30, 2016.

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

Governmental Activities:

General Government	\$ 17,668
Public Safety	80,842
Public Health and Welfare	83,085
Social, Cultural, and Recreational Services	6,500
Agriculture and Natural Resources	482
Highway/Public Works	<u>566,156</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 754,733</u></u>

Business-type Activities:

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets Not Depreciated:			
Land	\$ 26,350	\$ 0	\$ 26,350
Total Capital Assets Not Depreciated	<u>\$ 26,350</u>	<u>\$ 0</u>	<u>\$ 26,350</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 342,466	\$ 0	\$ 342,466
Total Capital Assets Depreciated	<u>\$ 342,466</u>	<u>\$ 0</u>	<u>\$ 342,466</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 48,352	\$ 8,561	\$ 56,913
Total Accumulated Depreciation	<u>\$ 48,352</u>	<u>\$ 8,561</u>	<u>\$ 56,913</u>
Total Capital Assets Depreciated, Net	<u>\$ 294,114</u>	<u>\$ (8,561)</u>	<u>\$ 285,553</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 320,464</u></u>	<u><u>\$ (8,561)</u></u>	<u><u>\$ 311,903</u></u>

There were no decreases in capital assets to report during the year ended June 30, 2016.

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

Discretely Presented Hancock County School Department

Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Total Capital Assets Not Depreciated	<u>\$ 453,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 453,150</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,618,812	\$ 0	\$ 0	\$ 15,618,812
Machinery and Equipment	<u>1,724,017</u>	<u>232,096</u>	<u>125,015</u>	<u>1,831,098</u>
Total Capital Assets Depreciated	<u>\$ 17,342,829</u>	<u>\$ 232,096</u>	<u>\$ 125,015</u>	<u>\$ 17,449,910</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,996,502	\$ 415,132	\$ 0	\$ 6,411,634
Machinery and Equipment	<u>1,160,076</u>	<u>101,748</u>	<u>79,146</u>	<u>1,182,678</u>
Total Accumulated Depreciation	<u>\$ 7,156,578</u>	<u>\$ 516,880</u>	<u>\$ 79,146</u>	<u>\$ 7,594,312</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,186,251</u>	<u>\$ (284,784)</u>	<u>\$ 45,869</u>	<u>\$ 9,855,598</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,639,401</u>	<u>\$ (284,784)</u>	<u>\$ 45,869</u>	<u>\$ 10,308,748</u>

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

Governmental Activities:

Instruction	\$ 415,132
Support Services	79,084
Operation of Non-instructional Services	<u>22,664</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 516,880</u></u>

D. Construction Commitments

At June 30, 2016, the Highway Department had uncompleted construction contracts of approximately \$162,310 for the construction of a bridge. Funding for these future expenditures is expected to be received from state grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,684

This balance 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.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfers In</u> General Fund
Major Enterprise Fund	\$ 340,000
Nonmajor Governmental Fund	<u>22,000</u>
Total	<u><u>362,000</u></u>

Discretely Presented Hancock County School Department

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
School Federal Projects	\$ <u>19,012</u>
Total	<u><u>19,012</u></u>

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

F. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 25 years for bonds and up to five years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2016, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2016, will be retired from the General and General Debt Service funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Amount of Issue	Balance 6-30-16
General Obligation Bonds	5.6%	12-15-28	\$6,000,000	\$3,120,000
Refunding Bonds	2.0 to 3.5	6-1-37	9,205,000	8,905,000
Capital Outlay Notes	2 to 2.98	4-30-19	245,000	106,753

In prior years, Hancock County entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$12,000,000 and \$1,650,000 to Hancock County to finance the school building program and to finance school capital projects and hospital building projects, respectively. These loan agreements were refunded in the 2015-16 fiscal year with the issuance of Series 2015 General Obligation Refunding Bonds.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2016, including interest payments are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 575,000	\$ 421,522	\$ 996,522
2108	580,000	401,443	981,443
2019	585,000	380,768	965,768
2020	595,000	360,242	955,242
2021	600,000	339,515	939,515
2022-2026	3,120,000	1,379,423	4,499,423
2027-2031	2,890,000	801,422	3,691,422
2032-2036	2,525,000	364,575	2,889,575
2037	555,000	19,425	574,425
Total	\$ 12,025,000	\$ 4,468,335	\$ 16,493,335

Year Ending June 30	Notes		
	Principal	Interest	Total
2017	\$ 59,667	\$ 2,858	\$ 62,525
2018	26,667	1,403	28,070
2019	20,419	608	21,027
Total	\$ 106,753	\$ 4,869	\$ 111,622

There is \$1,584,646 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes totaled \$1,779, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2015	\$ 3,360,000	\$ 97,176	\$ 35,192
Additions	9,205,000	80,000	0
Reductions	(540,000)	(70,423)	(35,192)
Balance, June 30, 2016	\$ 12,025,000	\$ 106,753	\$ 0
Balance Due Within One Year	\$ 575,000	\$ 59,667	\$ 0

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2015	\$ 77,767	\$ 9,030,570	\$ 38,171
Additions	933	0	28,089
Reductions	0	(9,030,570)	(19,086)
Balance, June 30, 2016	<u>\$ 78,700</u>	<u>\$ 0</u>	<u>\$ 47,174</u>
Balance Due Within One Year	<u>\$ 4,093</u>	<u>\$ 0</u>	<u>\$ 23,587</u>

	Other Postemployment Benefits	Net Pension Liability
Balance, July 1, 2015	\$ 47,218	\$ 266,268
Additions	12,993	220,374
Reductions	(1,602)	(162,870)
Balance, June 30, 2016	<u>\$ 58,609</u>	<u>\$ 323,772</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 12,640,008
Add: Unamortized Premium on Debt	45,713
Less: Balance Due Within One Year	<u>(662,347)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,023,374</u>

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

Current Refunding

On September 25, 2015, Hancock County refunded the School Construction other loan dated April 6, 2000, and the School Construction and Hospital Equipment other loan dated May 3, 2005. The county issued \$9,205,000 of General Obligation Refunding Bonds (Series 2015) to provide resources for the current refunding of the School Construction other loan and School Construction and Hospital Equipment other loan. The original maturity dates of May 25, 2027, and May 25, 2028, were extended to June 1, 2037. Due to the variable interest rates on the refunded debt, the economic gain or loss,

as well as the difference in future cash flows the refunding could not be determined.

Hancock County Home Health Fund (enterprise fund)

Long-term obligations activity for the Home Health Fund (enterprise fund) for the year ended June 30, 2016, was as follows:

Business-type Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2015	\$ 16,514
Additions	6,309
Reductions	<u>(8,257)</u>
Balance, June 30, 2016	<u>\$ 14,566</u>
Balance Due Within One Year	<u>\$ 7,283</u>

Discretely Presented Hancock County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Hancock County School Department for the year ended June 30, 2016, was as follows:

	<u>Other Postemployment Benefits</u>	<u>Net Pension Liability *</u>
Balance, July 1, 2015	\$ 359,032	\$ (19,397)
Additions	56,946	508,260
Reductions	<u>(40,939)</u>	<u>(440,468)</u>
Balance, June 30, 2016	<u>\$ 375,039</u>	<u>\$ 48,395</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

* - The Legacy Plan had a Net Pension Asset balance on July 1, 2015.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 423,434
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 423,434</u>

G. Pledges of Future Revenues

The Board of Education pledged, by resolution, Basic Education Program Funds to the General Debt Service Fund in order to retire debt issued for school construction. The amount of the pledge is equal to the annual principal and interest requirements on the debt up to a maximum of \$541,000 per year until the debt matures in 2037. During the year, the School Department contributed \$492,434 to the General Debt Service Fund for the retirement of school debt.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2016, were \$21,412 and \$12,900, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

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

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

fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hancock County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *The Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; Statement No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments, address specific payables to defined benefit plans, and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes standards.

C. Subsequent Events

On July 11, 2016, the County Commission approved the issuance of tax anticipation notes of \$250,000. These notes had not been issued as of the date of this report.

Also on July 11, 2016, the County Commission approved the third amendment to the lease agreement with Wellmont Hospital. This amendment eliminates the reduction in lease payments that was provided for in the second amendment to the lease agreement dated November 1, 2014. See Note IV.B., Lease Receivable, for further discussion of the lease agreement.

D. Contingent Liabilities

The Hancock County School system is one of forty-five Tennessee school districts that are members of the Sweetwater Consortium. The consortium was formed in 2012 to negotiate costs with vendors for providing telephone and internet services to member schools, and awarded a contract to Education Networks of America (ENA). The Federal Government subsidizes the costs of these services through the Federal Communications Commission's (FCC) E-Rate Program. The E-Rate program is managed by Universal Services Administration Company (USAC). Another service provider filed a lawsuit in 2012 challenging the contract awarded by the consortium, which resulted in the withholding of E-Rate funding. The case has been heard by an appeals board and members are awaiting a ruling. If the ruling is favorable for the consortium, then E-Rate funding will be reimbursed by the federal government. If the ruling is unfavorable for the consortium, then a hearing before the FCC will be granted. Consortium members could be required to reimburse ENA for the costs of any services not reimbursed by the E-Rate program. The Hancock County School System's share of these costs is estimated at approximately \$418,387.

E. Change in Administration

On November 9, 2015, Clem Seal left the Office of Road Superintendent and was succeeded by Henry Shockley on November 10, 2015.

F. Landfill Postclosure Care Costs

Hancock County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required

by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Hancock County closed its sanitary landfill in 1997. The \$78,700 reported as postclosure liability at June 30, 2016, represents amounts based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District; Greene, Hamblen, Hancock, and Hawkins counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2016, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

H. Jointly Governed Organization

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated*, and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors/executives of each county or the county mayor's/executive's designee and one nonvoting member

representing the Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center manager as an ex-officio member, is in charge of daily operations of the center.

I. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Hancock County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, 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. TCA, Title 8, Chapters 34-37 establish 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 is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent 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, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	8
Inactive Employees Entitled to But Not Yet Receiving Benefits	9
Active Employees	10
Total	27

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Hancock County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for Hancock County was \$51,508 based on a rate of 7.62 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hancock County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contributions (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)

Hancock County’s net pension liability (asset) was measured as of June 30, 2015, 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, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2014	\$ 2,306,980	\$ 2,040,712	\$ 266,268
Changes for the year:			
Service Cost	\$ 47,067	\$ 0	\$ 47,067
Interest	172,749	0	172,749
Differences Between Expected and Actual Experience	(15,079)	0	(15,079)
Contributions-Employer	0	51,508	(51,508)
Contributions-Employees	0	33,798	(33,798)
Net Investment Income	0	62,485	(62,485)
Benefit Payments, Including Refunds of Employee Contributions	(101,441)	(101,441)	0
Administrative Expense	0	(558)	558
Other Changes	0	0	0
Net Changes	\$ 103,296	\$ 45,792	\$ 57,504
Balance, June 30, 2015	\$ 2,410,276	\$ 2,086,504	\$ 323,772

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

Hancock County	1%	Current	1%
	Decrease	Discount	Increase
	6.5%	Rate	8.5%
Net Pension Liability	\$ 559,083	\$ 323,772	\$ 120,942

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

Pension Expense. For the year ended June 30, 2016, Hancock County recognized pension expense of \$27,943.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, Hancock County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 23,085	\$ 11,309
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	71,954	95,901
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	51,589	N/A
Total	<u>\$ 146,628</u>	<u>\$ 107,210</u>

(1). The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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 Ending June 30	Amount
2017	\$ (6,206)
2018	(6,206)
2019	(17,749)
2020	17,988
2021	0
Thereafter	0

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

Discretely Presented Hancock County School Department

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the

current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$13,445, which is four percent of covered 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 (Assets). At June 30, 2016, the Hancock County School Department reported an asset of \$3,957 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Hancock County School Department's proportion of the net pension asset was based on the Hancock County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Hancock County School Department's proportion was .098350 percent.

Pension Expense. For the year ended June 30, 2016, the Hancock County School Department recognized pension expense of \$5,185.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Hancock County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 1,288
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	320	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	13,445	0
Total	<u>\$ 13,765</u>	<u>\$ 1,288</u>

The Hancock County School Department's employer contributions of \$13,445, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (27)
2018	(27)
2019	(27)
2020	(27)
2021	(107)
Thereafter	(751)

Actuarial Assumptions. The total pension liability in the June 30, 2015, 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, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset Class	Percentage Long-term Expected Real Rate of Return	%	Percentage Target Allocations	%
U.S. Equity	6.46	%	33	%
Developed Market				
International Equity	6.26		17	
Emerging Market				
International Equity	6.40		5	
Private Equity and				
Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
			100	%
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 assumes 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 Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Hancock County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Hancock County School Department's proportionate share of the net pension liability (asset) would be if it was 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	\$ 702	\$ (3,957)	\$ (7,373)

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

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

Benefits Provided. TCA, Title 8, Chapters 34-37 establish 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 is available under various

eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Hancock County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$404,453, which is 9.04 percent of covered 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 Liability. At June 30, 2016, the Hancock County School Department reported a liability of \$48,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hancock County School Department's proportion of the net pension liability was based on the Hancock County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Hancock County School Department's proportion was .118143 percent. The proportion measured at June 30, 2014, was .119372 percent.

Negative Pension Expense. For the year ended June 30, 2016, the Hancock County School Department recognized negative pension expense of \$48,070.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Hancock County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 38,839	\$ 753,279
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	873,866	1,186,321
Changes in Proportion and Differences Between LEA's Contributions and Proportionate Share of Contributions	0	36,061
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	404,453	N/A
Total	<u>\$ 1,317,158</u>	<u>\$ 1,975,661</u>

The Hancock County School Department's employer contributions of \$404,453 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (327,074)
2018	(327,074)
2019	(327,074)
2020	68,366
2021	(150,100)
Thereafter	0

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, 2015, 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 adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, 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 Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes 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 Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Hancock County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Hancock County School Department's proportionate share of the net pension liability (asset) would be if it was 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%
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Net Pension Liability \$ 3,299,423 \$ 48,395 \$ (2,643,072)

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

J. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 57,000	\$ 13,000
Interest on the NOPEBO	13,464	1,771
Adjustment to the ARC	(13,518)	(1,778)
Annual OPEB cost	\$ 56,946	\$ 12,993
Amount of contribution	(40,939)	(1,602)
Increase/decrease in NOPEBO	\$ 16,007	\$ 11,391
Net OPEB obligation, 7-1-15	359,032	47,218
 Net OPEB obligation, 6-30-16	 \$ 375,039	 \$ 58,609

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	\$ 39,341	75 %	\$ 340,793
6-30-15	"	41,351	56	359,032
6-30-16	"	56,946	72	375,039
6-30-14	Local Government Group	9,035	12	42,074
6-30-15	"	9,043	43	47,218
6-30-16	"	12,993	12	58,609

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2015, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-15	7-1-15
Actuarial accrued liability (AAL)	\$ 567,000	\$ 51,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 567,000	\$ 51,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 5,546,283	\$ 3,749,439
UAAL as a % of covered payroll	10.22%	1.36%

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, 2015, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning July 1, 2007. Payroll is assumed to grow at a rate of three percent.

K. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Hancock County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Chapter 149, Private Acts of 1941, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Hancock County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

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

(Dollar amounts in thousands)

	2014	2015
Total Pension Liability (Asset)		
Service Cost	\$ 38,224	\$ 47,067
Interest	161,315	172,749
Changes in Benefit Terms	0	0
Differences Between Actual and Expected Experience	46,171	(15,079)
Changes in Assumptions	0	0
Benefit Payments, Including Refunds of Employee Contributions	(102,749)	(101,441)
Net Change in Total Pension Liability (Asset)	\$ 142,961	\$ 103,296
Total Pension Liability (Asset), Beginning	2,164,019	2,306,980
Total Pension Liability (Asset), Ending (a)	\$ 2,306,980	\$ 2,410,276
Plan Fiduciary Net Position		
Contributions - Employer	\$ 47,079	\$ 51,508
Contributions - Employee	32,375	33,798
Net Investment Income	291,889	62,485
Benefit Payments, Including Refunds of Employee Contributions	(102,749)	(101,441)
Administrative Expense	(494)	(558)
Net Change in Plan Fiduciary Net Position	\$ 268,100	\$ 45,792
Plan Fiduciary Net Position, Beginning	1,772,612	2,040,712
Plan Fiduciary Net Position, Ending (b)	\$ 2,040,712	\$ 2,086,504
Net Pension Liability (Asset), Ending (a - b)	\$ 266,268	\$ 323,772
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.46%	86.57%
Covered Employee Payroll	\$ 647,511	\$ 675,956
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	41.12%	47.90%

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

Note: data presented includes the primary government only. The discretely presented School Department does not have any employees that participate in this plan.

Exhibit F-2

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

(Dollar amounts in thousands)

	2014	2015	2016
Actuarially Determined Contribution	\$ 47,079	\$ 51,311	\$ 51,589
Less Contributions in Relation to the Actuarially Determined Contribution	(47,079)	(51,311)	(51,589)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 647,511	\$ 675,956	\$ 677,039
Contributions as a Percentage of Covered Employee Payroll	7.27%	7.59%	7.62%

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

Note: data presented includes the primary government only. The discretely presented School Department does not have any employees that participate in this plan.

Exhibit F-3

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

(Dollar amounts in thousands)

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 5,109	\$ 13,445
Less Contributions in Relation to the Contractually Required Contribution	(8,174)	(13,445)
Contribution Deficiency (Excess)	<u>\$ (3,065)</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 204,347	\$ 336,135
Contributions as a Percentage of Covered Employee Payroll	4.00%	4.00%

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

Exhibit F-4

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

(Dollar amounts in thousands)

	2014	2015	2016
Contractually Required Contribution	\$ 416,058	\$ 399,809	\$ 404,453
Less Contributions in Relation to the Contractually Required Contribution	(416,058)	(399,809)	(404,453)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,685,336	\$ 4,422,675	\$ 4,476,161
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.04%	9.04%

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

Exhibit F-5

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

	<u>2015</u>
School Department's Proportion of the Net Pension Asset	0.098350%
School Department's Proportionate Share of the Net Pension Asset	\$ 3,957
Covered Employee Payroll	\$ 204,347
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	1.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

* 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

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

	<u>2015</u>	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.119372%	0.118143%
School Department's Proportionate Share of the Net Pension Asset (liability)	\$ (19,398)	\$ 48,395
Covered Employee Payroll	\$ 4,685,336	\$ 4,422,675
School Department's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Employee Payroll	(.414002)%	1.094252%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%

* 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-7

Hancock County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hancock County School Department
June 30, 2016

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-11	\$ 0	\$ 29	\$ 29	0 %	\$ 3,598	1 %
"	7-1-13	0	25	25	0	3,794	1
"	7-1-15	0	51	51	0	3,749	1
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-11	0	820	820	0	4,283	19
"	7-1-13	0	459	459	0	4,537	10
"	7-1-15	0	567	567	0	5,546	10

HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

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

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

Exhibit G-1

Hancock County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 1,684	\$ 1,684	\$ 0
Equity in Pooled Cash and Investments	93,747	24,286	0	118,033	19,955
Accounts Receivable	233	0	0	233	0
Due from Other Governments	524	0	0	524	128,033
Property Taxes Receivable	291,338	0	0	291,338	0
Allowance for Uncollectible Property Taxes	(21,500)	0	0	(21,500)	0
Total Assets	\$ 364,342	\$ 24,286	\$ 1,684	\$ 390,312	\$ 147,988
<u>LIABILITIES</u>					
Accounts Payable	\$ 9,180	\$ 0	\$ 0	\$ 9,180	\$ 128,294
Accrued Payroll	1,537	0	0	1,537	0
Due to Other Funds	0	0	1,684	1,684	0
Due to State of Tennessee	250	0	0	250	0
Total Liabilities	\$ 10,967	\$ 0	\$ 1,684	\$ 12,651	\$ 128,294
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 258,376	\$ 0	\$ 0	\$ 258,376	\$ 0
Deferred Delinquent Property Taxes	11,113	0	0	11,113	0
Other Deferred/Unavailable Revenue	175	0	0	175	14,400
Total Deferred Inflows of Resources	\$ 269,664	\$ 0	\$ 0	\$ 269,664	\$ 14,400

(Continued)

Exhibit G-1

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

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 0	\$ 24,286	\$ 0	\$ 24,286	\$ 0
Restricted for Capital Projects	0	0	0	0	5,294
Committed:					
Committed for Public Health and Welfare	83,711	0	0	83,711	0
Total Fund Balances	<u>\$ 83,711</u>	<u>\$ 24,286</u>	<u>\$ 0</u>	<u>\$ 107,997</u>	<u>\$ 5,294</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 364,342</u>	<u>\$ 24,286</u>	<u>\$ 1,684</u>	<u>\$ 390,312</u>	<u>\$ 147,988</u>

(Continued)

Exhibit G-1

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

	<u>Capital Projects Funds (Cont.)</u>		Total
	Other Capital Projects	Total	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 0	\$ 1,684
Equity in Pooled Cash and Investments	19,859	39,814	157,847
Accounts Receivable	0	0	233
Due from Other Governments	0	128,033	128,557
Property Taxes Receivable	0	0	291,338
Allowance for Uncollectible Property Taxes	0	0	(21,500)
Total Assets	<u>\$ 19,859</u>	<u>\$ 167,847</u>	<u>\$ 558,159</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 10,723	\$ 139,017	\$ 148,197
Accrued Payroll	0	0	1,537
Due to Other Funds	0	0	1,684
Due to State of Tennessee	0	0	250
Total Liabilities	<u>\$ 10,723</u>	<u>\$ 139,017</u>	<u>\$ 151,668</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 258,376
Deferred Delinquent Property Taxes	0	0	11,113
Other Deferred/Unavailable Revenue	0	14,400	14,575
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 14,400</u>	<u>\$ 284,064</u>

(Continued)

Exhibit G-1

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

FUND BALANCES

Restricted:

 Restricted for Public Safety

 Restricted for Capital Projects

Committed:

 Committed for Public Health and Welfare

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

<u>Capital Projects Funds (Cont.)</u>			Total
Other Capital Projects	Total	Nonmajor Governmental Funds	
\$ 0	\$ 0	\$ 24,286	
9,136	14,430	14,430	
0	0	83,711	
<u>\$ 9,136</u>	<u>\$ 14,430</u>	<u>\$ 122,427</u>	
<u>\$ 19,859</u>	<u>\$ 167,847</u>	<u>\$ 558,159</u>	

Exhibit G-2

Hancock County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects
<u>Revenues</u>					
Local Taxes	\$ 272,313	\$ 0	\$ 0	\$ 272,313	\$ 0
Fines, Forfeitures, and Penalties	0	3,339	0	3,339	0
Charges for Current Services	5	0	600	605	0
Other Local Revenues	4,823	0	0	4,823	0
State of Tennessee	2,776	0	0	2,776	141,938
Federal Government	0	0	0	0	3,000
Total Revenues	<u>\$ 279,917</u>	<u>\$ 3,339</u>	<u>\$ 600</u>	<u>\$ 283,856</u>	<u>\$ 144,938</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 600	\$ 600	\$ 0
Public Safety	0	2,589	0	2,589	0
Public Health and Welfare	296,889	0	0	296,889	0
Other Operations	0	0	0	0	0
Capital Outlay	0	0	0	0	73,753
Debt Service:					
Principal on Debt	0	0	0	0	6,247
Capital Projects	0	0	0	0	143,794
Total Expenditures	<u>\$ 296,889</u>	<u>\$ 2,589</u>	<u>\$ 600</u>	<u>\$ 300,078</u>	<u>\$ 223,794</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (16,972)</u>	<u>\$ 750</u>	<u>\$ 0</u>	<u>\$ (16,222)</u>	<u>\$ (78,856)</u>

(Continued)

Exhibit G-2

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

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	80,000
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	80,000
Net Change in Fund Balances	\$ (16,972)	\$ 750	\$ 0	\$ (16,222)	\$ 1,144
Fund Balance, July 1, 2015	100,683	23,536	0	124,219	4,150
Fund Balance, June 30, 2016	\$ 83,711	\$ 24,286	\$ 0	\$ 107,997	\$ 5,294

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	Other Capital Projects	Total	
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 0	\$ 272,313
Fines, Forfeitures, and Penalties	0	0	3,339
Charges for Current Services	0	0	605
Other Local Revenues	0	0	4,823
State of Tennessee	0	141,938	144,714
Federal Government	0	3,000	3,000
Total Revenues	<u>\$ 0</u>	<u>\$ 144,938</u>	<u>\$ 428,794</u>
<u>Expenditures</u>			
Current:			
Administration of Justice	\$ 0	\$ 0	\$ 600
Public Safety	0	0	2,589
Public Health and Welfare	0	0	296,889
Other Operations	20,000	20,000	20,000
Capital Outlay	0	73,753	73,753
Debt Service:			
Principal on Debt	0	6,247	6,247
Capital Projects	10,723	154,517	154,517
Total Expenditures	<u>\$ 30,723</u>	<u>\$ 254,517</u>	<u>\$ 554,595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,723)</u>	<u>\$ (109,579)</u>	<u>\$ (125,801)</u>

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	Other Capital Projects	Total	
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 0	\$ 80,000	\$ 80,000
Transfers Out	(22,000)	(22,000)	(22,000)
Total Other Financing Sources (Uses)	<u>\$ (22,000)</u>	<u>\$ 58,000</u>	<u>\$ 58,000</u>
Net Change in Fund Balances	\$ (52,723)	\$ (51,579)	\$ (67,801)
Fund Balance, July 1, 2015	<u>61,859</u>	<u>66,009</u>	<u>190,228</u>
Fund Balance, June 30, 2016	<u>\$ 9,136</u>	<u>\$ 14,430</u>	<u>\$ 122,427</u>

Exhibit G-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 272,313	\$ 295,294	\$ 295,294	\$ (22,981)
Charges for Current Services	5	50	50	(45)
Other Local Revenues	4,823	3,500	3,500	1,323
State of Tennessee	2,776	3,050	3,050	(274)
Total Revenues	<u>\$ 279,917</u>	<u>\$ 301,894</u>	<u>\$ 301,894</u>	<u>\$ (21,977)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 296,889	\$ 298,220	\$ 308,475	\$ 11,586
Total Expenditures	<u>\$ 296,889</u>	<u>\$ 298,220</u>	<u>\$ 308,475</u>	<u>\$ 11,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (16,972)</u>	<u>\$ 3,674</u>	<u>\$ (6,581)</u>	<u>\$ (10,391)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 75,000	\$ 75,000	\$ (75,000)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ (75,000)</u>
Net Change in Fund Balance	\$ (16,972)	\$ 78,674	\$ 68,419	\$ (85,391)
Fund Balance, July 1, 2015	<u>100,683</u>	<u>100,683</u>	<u>100,683</u>	<u>0</u>
Fund Balance, June 30, 2016	<u>\$ 83,711</u>	<u>\$ 179,357</u>	<u>\$ 169,102</u>	<u>\$ (85,391)</u>

Exhibit G-4

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 3,339	\$ 7,500	\$ 8,500	\$ (5,161)
Total Revenues	\$ 3,339	\$ 7,500	\$ 8,500	\$ (5,161)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 2,589	\$ 3,075	\$ 4,075	\$ 1,486
Total Expenditures	\$ 2,589	\$ 3,075	\$ 4,075	\$ 1,486
Excess (Deficiency) of Revenues Over Expenditures	\$ 750	\$ 4,425	\$ 4,425	\$ (3,675)
Net Change in Fund Balance	\$ 750	\$ 4,425	\$ 4,425	\$ (3,675)
Fund Balance, July 1, 2015	23,536	23,536	23,536	0
Fund Balance, June 30, 2016	\$ 24,286	\$ 27,961	\$ 27,961	\$ (3,675)

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 97,934	\$ 69,102	\$ 69,102	\$ 28,832
Other Local Revenues	35,004	8,400	8,400	26,604
State of Tennessee	255	0	0	255
Other Governments and Citizens Groups	803,525	911,091	911,091	(107,566)
Total Revenues	<u>\$ 936,718</u>	<u>\$ 988,593</u>	<u>\$ 988,593</u>	<u>\$ (51,875)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 287,400	\$ 304,093	\$ 318,493	\$ 31,093
Education	285,600	507,907	483,507	197,907
<u>Interest on Debt</u>				
General Government	202,489	210,986	220,986	18,497
Education	172,987	450,957	450,957	277,970
<u>Other Debt Service</u>				
General Government	15,273	12,000	24,546	9,273
Education	241,369	106,000	315,345	73,976
Total Expenditures	<u>\$ 1,205,118</u>	<u>\$ 1,591,943</u>	<u>\$ 1,813,834</u>	<u>\$ 608,716</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (268,400)</u>	<u>\$ (603,350)</u>	<u>\$ (825,241)</u>	<u>\$ 556,841</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 9,205,000	\$ 0	\$ 9,205,000	\$ 0
Premiums on Debt Sold	47,462	0	47,462	0
Payments to Refunded Debt Escrow Agent	(9,030,570)	0	(9,030,570)	0
Total Other Financing Sources	<u>\$ 221,892</u>	<u>\$ 0</u>	<u>\$ 221,892</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (46,508)	\$ (603,350)	\$ (603,349)	\$ 556,841
Fund Balance, July 1, 2015	<u>1,631,154</u>	<u>1,620,071</u>	<u>1,620,071</u>	<u>11,083</u>
Fund Balance, June 30, 2016	<u>\$ 1,584,646</u>	<u>\$ 1,016,721</u>	<u>\$ 1,016,722</u>	<u>\$ 567,924</u>

Fiduciary Funds

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

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

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

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

Exhibit I-1

Hancock County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>			
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 237,936	\$ 0	\$ 237,936
Equity in Pooled Cash and Investments	0	0	709,405	709,405
Accounts Receivable	0	877	0	877
Due from Other Governments	30,912	0	0	30,912
Prepaid Items	0	0	2,296	2,296
Total Assets	<u>\$ 30,912</u>	<u>\$ 238,813</u>	<u>\$ 711,701</u>	<u>\$ 981,426</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 30,912	\$ 0	\$ 711,701	\$ 742,613
Due to Litigants, Heirs, and Others	0	238,813	0	238,813
Total Liabilities	<u>\$ 30,912</u>	<u>\$ 238,813</u>	<u>\$ 711,701</u>	<u>\$ 981,426</u>

Exhibit I-2

Hancock County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 188,337	\$ 188,337	\$ 0
Due from Other Governments	30,280	30,912	30,280	30,912
Total Assets	\$ 30,280	\$ 219,249	\$ 218,617	\$ 30,912
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 30,280	\$ 219,249	\$ 218,617	\$ 30,912
Total Liabilities	\$ 30,280	\$ 219,249	\$ 218,617	\$ 30,912
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 338,164	\$ 1,097,846	\$ 1,198,074	\$ 237,936
Accounts Receivable	693	877	693	877
Total Assets	\$ 338,857	\$ 1,098,723	\$ 1,198,767	\$ 238,813
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 338,857	\$ 1,098,723	\$ 1,198,767	\$ 238,813
Total Liabilities	\$ 338,857	\$ 1,098,723	\$ 1,198,767	\$ 238,813
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 598,138	\$ 273,351	\$ 162,084	\$ 709,405
Prepaid Items	2,536	2,296	2,536	2,296
Total Assets	\$ 600,674	\$ 275,647	\$ 164,620	\$ 711,701
<u>Liabilities</u>				
Accounts Payable	\$ 28,168	\$ 0	\$ 28,168	\$ 0
Due to Other Taxing Units	572,506	275,647	136,452	711,701
Total Liabilities	\$ 600,674	\$ 275,647	\$ 164,620	\$ 711,701

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 338,164	\$ 1,097,846	\$ 1,198,074	\$ 237,936
Equity in Pooled Cash and Investments	598,138	461,688	350,421	709,405
Accounts Receivable	693	877	693	877
Due from Other Governments	30,280	30,912	30,280	30,912
Prepaid Items	2,536	2,296	2,536	2,296
Total Assets	<u>\$ 969,811</u>	<u>\$ 1,593,619</u>	<u>\$ 1,582,004</u>	<u>\$ 981,426</u>
<u>Liabilities</u>				
Accounts Payable	\$ 28,168	\$ 0	\$ 28,168	\$ 0
Due to Other Taxing Units	602,786	494,896	355,069	742,613
Due to Litigants, Heirs, and Others	338,857	1,098,723	1,198,767	238,813
Total Liabilities	<u>\$ 969,811</u>	<u>\$ 1,593,619</u>	<u>\$ 1,582,004</u>	<u>\$ 981,426</u>

Hancock County School Department

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

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

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

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

Exhibit J-1

Hancock County, Tennessee
Statement of Activities
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 5,424,807	\$ 15,687	\$ 847,418	\$ (4,561,702)
Support Services	3,306,859	0	165,507	(3,141,352)
Operation of Non-instructional Services	1,332,000	58,827	1,328,093	54,920
Total Governmental Activities	<u>\$ 10,063,666</u>	<u>\$ 74,514</u>	<u>\$ 2,341,018</u>	<u>\$ (7,648,134)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 637,554
Local Option Sales Taxes				242,006
Wheel Tax				57,173
Wholesale Beer Tax				928
Interstate Telecommunications Tax				600
Grants and Contributions Not Restricted for Specific Programs				6,835,621
Unrestricted Investment Income				1,049
Miscellaneous				64,129
Total General Revenues				<u>\$ 7,839,060</u>
Change in Net Position				\$ 190,926
Net Position, July 1, 2015				<u>11,334,860</u>
Net Position, June 30, 2016				<u>\$ 11,525,786</u>

Exhibit J-2

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hancock County School Department
June 30, 2016

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 22,270	\$ 0	\$ 1,677	\$ 23,947
Equity in Pooled Cash and Investments	2,175,716	58,177	236,232	2,470,125
Accounts Receivable	60	0	0	60
Due from Other Governments	42,036	26,042	0	68,078
Property Taxes Receivable	683,575	0	0	683,575
Allowance for Uncollectible Property Taxes	(47,466)	0	0	(47,466)
Notes Receivable - Long-term	11,185	0	0	11,185
Total Assets	<u>\$ 2,887,376</u>	<u>\$ 84,219</u>	<u>\$ 237,909</u>	<u>\$ 3,209,504</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 29,904	\$ 4,219	\$ 0	\$ 34,123
Other Current Liabilities	280,393	0	0	280,393
Total Liabilities	<u>\$ 310,297</u>	<u>\$ 4,219</u>	<u>\$ 0</u>	<u>\$ 314,516</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 612,447	\$ 0	\$ 0	\$ 612,447
Deferred Delinquent Property Taxes	22,941	0	0	22,941
Other Deferred/Unavailable Revenue	31,413	0	0	31,413
Total Deferred Inflows of Resources	<u>\$ 666,801</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 666,801</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 8,462	\$ 0	\$ 237,909	\$ 246,371

(Continued)

Exhibit J-2

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
<u>FUND BALANCES (Cont.)</u>				
Committed:				
Committed for Education	\$ 0	\$ 80,000	\$ 0	\$ 80,000
Assigned:				
Assigned for Education	225,517	0	0	225,517
Unassigned	1,676,299	0	0	1,676,299
Total Fund Balances	<u>\$ 1,910,278</u>	<u>\$ 80,000</u>	<u>\$ 237,909</u>	<u>\$ 2,228,187</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,887,376</u>	<u>\$ 84,219</u>	<u>\$ 237,909</u>	<u>\$ 3,209,504</u>

Exhibit J-3

Hancock County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Discretely Presented Hancock County School Department
June 30, 2016

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 2,228,187
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 453,150	
Add: building and improvements net of accumulated depreciation	9,207,178	
Add: machinery and equipment net of accumulated depreciation	<u>648,420</u>	10,308,748
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability	\$ (375,039)	
Less: net pension liability liability	<u>(48,395)</u>	(423,434)
(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	\$ 1,330,923	
Less: deferred inflows of resources related to pensions	<u>(1,976,949)</u>	(646,026)
(4) Net pension assets of the cost-sharing plan are not current financial resources and are therefore not reported in the governmental funds.		3,957
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>54,354</u>
Net position of governmental activities (Exhibit A)		<u>\$ 11,525,786</u>

Exhibit J-4

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2016

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 936,608	\$ 0	\$ 0	\$ 936,608
Licenses and Permits	266	0	0	266
Charges for Current Services	0	0	58,827	58,827
Other Local Revenues	121,392	0	4,403	125,795
State of Tennessee	7,371,078	0	0	7,371,078
Federal Government	0	1,087,882	672,484	1,760,366
Total Revenues	\$ 8,429,344	\$ 1,087,882	\$ 735,714	\$ 10,252,940
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,263,675	\$ 697,802	\$ 0	\$ 4,961,477
Support Services	3,031,727	371,068	0	3,402,795
Operation of Non-Instructional Services	660,065	0	649,271	1,309,336
Capital Outlay	11,207	0	0	11,207
Debt Service:				
Other Debt Service	492,434	0	0	492,434
Total Expenditures	\$ 8,459,108	\$ 1,068,870	\$ 649,271	\$ 10,177,249
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (29,764)	\$ 19,012	\$ 86,443	\$ 75,691
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 19,012	\$ 0	\$ 0	\$ 19,012
Transfers Out	0	(19,012)	0	(19,012)
Total Other Financing Sources (Uses)	\$ 19,012	\$ (19,012)	\$ 0	\$ 0

(Continued)

Exhibit J-4

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

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
Net Change in Fund Balances	\$ (10,752)	\$ 0	\$ 86,443	\$ 75,691
Fund Balance, July 1, 2015	1,921,030	80,000	151,466	2,152,496
Fund Balance, June 30, 2016	\$ 1,910,278	\$ 80,000	\$ 237,909	\$ 2,228,187

Exhibit J-5

Hancock County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	75,691
(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	\$	232,096	
Less: current-year depreciation expense		<u>(516,880)</u>	(284,784)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: net book value of assets disposed			(45,869)
(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, 2016	\$	54,354	
Less: deferred delinquent property taxes and other deferred June 30, 2015		<u>(52,702)</u>	1,652
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability	\$	(16,007)	
Change in net pension liability/asset		(63,836)	
Change in deferred outflows related to pensions		875,309	
Change in deferred inflows related to pensions		<u>(351,230)</u>	<u>444,236</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 190,926</u>

Exhibit J-6

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hancock County School Department
General Purpose School Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 936,608	\$ 879,760	\$ 879,760	\$ 56,848
Licenses and Permits	266	600	600	(334)
Other Local Revenues	121,392	50,340	123,316	(1,924)
State of Tennessee	7,371,078	7,163,021	7,365,232	5,846
Total Revenues	\$ 8,429,344	\$ 8,093,721	\$ 8,368,908	\$ 60,436
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,207,462	\$ 3,177,532	\$ 3,252,221	\$ 44,759
Alternative Instruction Program	50,371	59,957	54,865	4,494
Special Education Program	595,392	616,760	623,763	28,371
Vocational Education Program	410,450	386,733	412,294	1,844
<u>Support Services</u>				
Attendance	171,933	171,753	174,195	2,262
Health Services	99,875	100,150	100,149	274
Other Student Support	306,800	269,483	309,518	2,718
Regular Instruction Program	339,071	334,559	515,871	176,800
Special Education Program	89,721	91,142	91,154	1,433
Vocational Education Program	75,976	70,412	76,765	789
Other Programs	34,312	0	34,312	0
Board of Education	193,947	195,683	201,334	7,387
Director of Schools	111,673	120,503	127,911	16,238
Office of the Principal	260,616	258,851	265,215	4,599
Fiscal Services	107,549	105,131	117,110	9,561
Operation of Plant	595,958	650,641	654,365	58,407
Maintenance of Plant	64,807	77,895	77,895	13,088
Transportation	579,489	530,279	666,891	87,402
<u>Operation of Non-Instructional Services</u>				
Community Services	4,455	29,612	29,961	25,506
Early Childhood Education	655,610	655,609	655,610	0
<u>Capital Outlay</u>				
Regular Capital Outlay	11,207	6,000	19,100	7,893
<u>Other Debt Service</u>				
Education	492,434	541,000	541,000	48,566
Total Expenditures	\$ 8,459,108	\$ 8,449,685	\$ 9,001,499	\$ 542,391
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,764)	\$ (355,964)	\$ (632,591)	\$ 602,827
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 19,012	\$ 0	\$ 19,012	\$ 0
Total Other Financing Sources	\$ 19,012	\$ 0	\$ 19,012	\$ 0
Net Change in Fund Balance	\$ (10,752)	\$ (355,964)	\$ (613,579)	\$ 602,827
Fund Balance, July 1, 2015	1,921,030	1,916,569	1,916,569	4,461
Fund Balance, June 30, 2016	\$ 1,910,278	\$ 1,560,605	\$ 1,302,990	\$ 607,288

Exhibit J-7

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hancock County School Department
School Federal Projects Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,087,882	\$ 926,437	\$ 1,296,413	\$ (208,531)
Total Revenues	\$ 1,087,882	\$ 926,437	\$ 1,296,413	\$ (208,531)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 461,243	\$ 409,212	\$ 487,758	\$ 26,515
Special Education Program	156,596	170,827	159,623	3,027
Vocational Education Program	79,963	14,312	79,969	6
<u>Support Services</u>				
Other Student Support	80,399	91,339	129,557	49,158
Regular Instruction Program	185,640	208,904	229,390	43,750
Special Education Program	25,320	14,000	111,395	86,075
Vocational Education Program	2,536	1,000	2,536	0
Transportation	77,173	16,843	77,173	0
Total Expenditures	\$ 1,068,870	\$ 926,437	\$ 1,277,401	\$ 208,531
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,012	\$ 0	\$ 19,012	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (19,012)	\$ 0	\$ (19,012)	\$ 0
Total Other Financing Sources	\$ (19,012)	\$ 0	\$ (19,012)	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2015	80,000	0	0	80,000
Fund Balance, June 30, 2016	\$ 80,000	\$ 0	\$ 0	\$ 80,000

Exhibit J-8

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hancock County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 58,827	\$ 10,000	\$ 10,000	\$ 48,827
Other Local Revenues	4,403	600	600	3,803
State of Tennessee	0	9,000	9,000	(9,000)
Federal Government	672,484	645,008	642,532	29,952
Total Revenues	<u>\$ 735,714</u>	<u>\$ 664,608</u>	<u>\$ 662,132</u>	<u>\$ 73,582</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 649,271	\$ 679,608	\$ 684,687	\$ 35,416
Total Expenditures	<u>\$ 649,271</u>	<u>\$ 679,608</u>	<u>\$ 684,687</u>	<u>\$ 35,416</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 86,443</u>	<u>\$ (15,000)</u>	<u>\$ (22,555)</u>	<u>\$ 108,998</u>
Net Change in Fund Balance	\$ 86,443	\$ (15,000)	\$ (22,555)	\$ 108,998
Fund Balance, July 1, 2015	151,466	128,911	128,911	22,555
Fund Balance, June 30, 2016	<u><u>\$ 237,909</u></u>	<u><u>\$ 113,911</u></u>	<u><u>\$ 106,356</u></u>	<u><u>\$ 131,553</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hancock County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 2016

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-16
<u>NOTES PAYABLE</u>									
<u>Payable through General Fund</u>									
Ambulance	\$ 93,529	3.39 %	7-31-12	7-31-15	\$ 31,176	\$ 0	\$ 31,176	\$ 0	\$ 0
Ambulance	80,000	2.98	4-19-16	4-30-19	0	80,000	6,247	0	73,753
Total Payable through General Fund					<u>\$ 31,176</u>	<u>\$ 80,000</u>	<u>\$ 37,423</u>	<u>\$ 0</u>	<u>\$ 73,753</u>
<u>Payable through General Debt Service Fund</u>									
Courthouse Annex	165,000	2	11-3-11	11-3-16	\$ 66,000	0	\$ 33,000	0	\$ 33,000
Total Payable through General Debt Service Fund					<u>\$ 66,000</u>	<u>\$ 0</u>	<u>\$ 33,000</u>	<u>\$ 0</u>	<u>\$ 33,000</u>
Total Notes Payable					<u>\$ 97,176</u>	<u>\$ 80,000</u>	<u>\$ 70,423</u>	<u>\$ 0</u>	<u>\$ 106,753</u>
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 8,200,000	\$ 0	\$ 0	\$ 8,200,000	\$ 0
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	830,570	0	0	830,570	0
Total Other Loans Payable					<u>\$ 9,030,570</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,030,570</u>	<u>\$ 0</u>
<u>CAPITAL LEASES PAYABLE</u>									
<u>Payable through General Fund</u>									
Sheriff's Department Vehicles	135,581	6.1	5-3-12	7-3-15	\$ 35,192	\$ 0	\$ 35,192	\$ 0	\$ 0
Total Capital Leases Payable					<u>\$ 35,192</u>	<u>\$ 0</u>	<u>\$ 35,192</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit K-1

Hancock County, Tennessee

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-16
<u>BONDS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Hospital Bond (A)	\$ 6,000,000	5.6 %	12-15-03	12-15-28	\$ 3,360,000	0	\$ 240,000	0	\$ 3,120,000
General Obligation Refunding Bonds - Series 2015	9,205,000	2.0 - 3.5	9-25-15	6-1-37	0	9,205,000	300,000	0	8,905,000
Total Bonds Payable					<u>\$ 3,360,000</u>	<u>\$ 9,205,000</u>	<u>\$ 540,000</u>	<u>\$ 0</u>	<u>\$ 12,025,000</u>

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2017	\$ 59,667	\$ 2,858	\$ 62,525
2018	26,667	1,403	28,070
2019	20,419	608	21,027
Total	\$ 106,753	\$ 4,869	\$ 111,622

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 575,000	\$ 421,522	\$ 996,522
2018	580,000	401,443	981,443
2019	585,000	380,768	965,768
2020	595,000	360,242	955,242
2021	600,000	339,515	939,515
2022	610,000	318,987	928,987
2023	615,000	297,662	912,662
2024	625,000	276,535	901,535
2025	630,000	254,246	884,246
2026	640,000	231,993	871,993
2027	650,000	208,217	858,217
2028	660,000	183,316	843,316
2029	675,000	158,139	833,139
2030	445,000	132,550	577,550
2031	460,000	119,200	579,200
2032	470,000	105,400	575,400
2033	490,000	90,125	580,125
2034	505,000	74,200	579,200
2035	520,000	56,525	576,525
2036	540,000	38,325	578,325
2037	555,000	19,425	574,425
Total	\$ 12,025,000	\$ 4,468,335	\$ 16,493,335

Exhibit K-3

Hancock County, Tennessee
Schedule of Notes and Capital Leases Receivable
Primary Government and Discretely Presented Hancock County School Department
June 30, 2016

<u>Description</u>	<u>Original Amount of Note/ Lease</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-16</u>
<u>PRIMARY GOVERNMENT</u>					
<u>Capital Leases Receivable</u>					
<u>General Debt Service Fund</u>					
Lease Agreement - Wellmont Health Systems	\$ 6,000,000	12-15-03	12-15-28	5.6 %	<u>\$ 1,343,634</u>
Total Primary Government					<u>\$ 1,343,634</u>
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>					
<u>General Purpose School Fund</u>					
Promissory Note - Former Teacher Tuition Reimbursement	7,669	7-1-06	N/A	0	\$ 7,669
"	3,516	3-30-07	N/A	0	<u>3,516</u>
Total Discretely Presented Hancock County School Department					<u>\$ 11,185</u>

Exhibit K-4

Hancock County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2016

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Home Health (enterprise fund)	General	Operations	\$ 340,000
Other Capital Projects	General	Capital Outlay	<u>22,000</u>
Total Transfers Primary Government			<u>\$ 362,000</u>
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect Costs	<u>\$ 19,012</u>
Total Transfers Discretely Presented Hancock County School Department			<u>\$ 19,012</u>

Exhibit K-5

Hancock County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hancock County School Department
For the Year Ended June 30, 2016

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 72,386	\$ 100,000	Western Surety Company
Road Superintendent:				
Clem Seal (7-1-15 through 11-9-15)	Section 8-24-102, <i>TCA</i>	22,997	100,000	"
Henry Shockley (11-10-15 through 6-30-16)	Section 8-24-102, <i>TCA</i>	41,181	100,000	"
Director of Schools	State Board of Education and County Board of Education	77,300 (1)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	58,343	500,515	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	58,343	25,000	Western Surety Company
County Clerk	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	58,343 (2)	25,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Sheriff	Section 8-24-102, <i>TCA</i> , and County Commission	69,778 (3)	100,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Western Surety Company
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer's training supplement of \$1,000 and secretary to the board pay of \$1,300.
(2) Does not include special commissioner fees of \$600.
(3) Includes \$5,000 for serving as workhouse superintendent and a \$600 law enforcement training supplement.

Exhibit K-6

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2016

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,100,519	\$ 245,564	\$ 0	\$ 0	\$ 0	\$ 90,956
Trustee's Collections - Prior Year	50,062	12,933	0	0	0	2,920
Circuit Clerk/Clerk and Master Collections - Prior Years	46,531	11,112	0	0	0	3,342
Interest and Penalty	9,169	2,310	0	0	0	576
Payments in-Lieu-of Taxes - T.V.A.	18	4	0	0	0	2
<u>County Local Option Taxes</u>						
Local Option Sales Tax	51,300	0	0	0	0	0
Wheel Tax	57,173	0	0	0	0	0
Litigation Tax - General	5,924	0	0	0	0	0
Litigation Tax - Special Purpose	3,060	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	4,199	0	0	0	0	0
Litigation Tax - Courthouse Security	908	0	0	0	0	0
Business Tax	22,025	0	0	0	0	0
Other County Local Option Taxes	1,410	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Wholesale Beer Tax	1,761	390	0	0	0	138
Interstate Telecommunications Tax	478	0	0	0	0	0
Total Local Taxes	\$ 1,354,537	\$ 272,313	\$ 0	\$ 0	\$ 0	\$ 97,934
<u>Licenses and Permits</u>						
<u>Permits</u>						
Beer Permits	\$ 95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 4,816	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,285	0	0	0	0	0
Drug Control Fines	2,419	0	1,314	0	0	0
Drug Court Fees	454	0	0	0	0	0
DUI Treatment Fines	560	0	0	0	0	0
Data Entry Fee - Circuit Court	504	0	0	0	0	0
<u>Criminal Court</u>						
Jail Fees	2,011	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	6,872	0	0	0	0	0
Officers Costs	6,985	0	0	0	0	0
Game and Fish Fines	78	0	0	0	0	0
Drug Control Fines	1,437	0	2,025	0	0	0
Drug Court Fees	779	0	0	0	0	0
Jail Fees	8,486	0	0	0	0	0
District Attorney General Fees	632	0	0	0	0	0
DUI Treatment Fines	1,395	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,082	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	181	0	0	0	0	0
Officers Costs	570	0	0	0	0	0
Data Entry Fee - Juvenile Court	233	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	321	0	0	0	0	0
Data Entry Fee - Chancery Court	341	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	\$ 50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 41,491	\$ 0	\$ 3,339	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 5	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	500,303	0	0	0	0	0
Work Release Charges for Board	17,084	0	0	0	0	0
<u>Fees</u>						
Copy Fees	579	0	0	0	0	0
Library Fees	5,597	0	0	0	0	0
Telephone Commissions	3,612	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	600	0	0
Data Processing Fee - Register	2,148	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,050	0	0	0	0	0
Total Charges for Current Services	\$ 530,373	\$ 5	\$ 0	\$ 600	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,404
Lease/Rentals	0	0	0	0	0	3,600
Sale of Materials and Supplies	807	0	0	0	14,657	0
Commissary Sales	75,878	0	0	0	0	0
Sale of Recycled Materials	0	4,155	0	0	0	0
Miscellaneous Refunds	14,547	668	0	0	1,614	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	\$ 208	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>						
Other Local Revenues	180	0	0	0	0	0
Total Other Local Revenues	\$ 91,620	\$ 4,823	\$ 0	\$ 0	\$ 16,271	\$ 35,004
<u>Fees Received From County Officials</u>						
<u>Fees In-Lieu-of Salary</u>						
County Clerk	\$ 51,645	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	26,072	0	0	0	0	0
General Sessions Court Clerk	21,555	0	0	0	0	0
Clerk and Master	24,177	0	0	0	0	0
Juvenile Court Clerk	2,729	0	0	0	0	0
Register	22,902	0	0	0	0	0
Sheriff	1,212	0	0	0	0	0
Trustee	85,527	0	0	0	0	0
Total Fees Received From County Officials	\$ 235,819	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 18,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	2,089	0	0	0	0
Other General Government Grants	10,000	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	7,200	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Health and Welfare Grants</u>						
Health Department Programs	\$ 29,790	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	364,451	0
Litter Program	36,230	0	0	0	0	0
Other Public Works Grants	0	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	3,084	687	0	0	0	255
Beer Tax	18,488	0	0	0	0	0
Alcoholic Beverage Tax	22,032	0	0	0	0	0
State Revenue Sharing - T.V.A.	274,174	0	0	0	0	0
Emergency Hospital - Prisoners	63,688	0	0	0	0	0
Contracted Prisoner Boarding	904,979	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,352,678	0
Petroleum Special Tax	0	0	0	0	4,920	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	34,121	0	0	0	0	0
Total State of Tennessee	\$ 1,436,950	\$ 2,776	\$ 0	\$ 0	\$ 1,722,049	\$ 255
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	0	14,554	0
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,554	\$ 0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 47,500	\$ 0	\$ 0	\$ 0	\$ 0	492,434
<u>Other</u>						
Other	58,770	0	0	0	0	311,091
Total Other Governments and Citizens Groups	\$ 106,270	\$ 0	\$ 0	\$ 0	\$ 0	803,525
Total	\$ 3,797,155	\$ 279,917	\$ 3,339	\$ 600	\$ 1,752,874	\$ 936,718

(Continued)

Exhibit K-6

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

	Capital Projects Fund	General Capital Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 0	\$	1,437,039
Trustee's Collections - Prior Year	0		65,915
Circuit Clerk/Clerk and Master Collections - Prior Years	0		60,985
Interest and Penalty	0		12,055
Payments in-Lieu-of Taxes - T.V.A.	0		24
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0		51,300
Wheel Tax	0		57,173
Litigation Tax - General	0		5,924
Litigation Tax - Special Purpose	0		3,060
Litigation Tax - Jail, Workhouse, or Courthouse	0		4,199
Litigation Tax - Courthouse Security	0		908
Business Tax	0		22,025
Other County Local Option Taxes	0		1,410
<u>Statutory Local Taxes</u>			
Wholesale Beer Tax	0		2,289
Interstate Telecommunications Tax	0		478
Total Local Taxes	<u>\$ 0</u>	<u>\$</u>	<u>1,724,784</u>
<u>Licenses and Permits</u>			
<u>Permits</u>			
Beer Permits	\$ 0	\$	95
Total Licenses and Permits	<u>\$ 0</u>	<u>\$</u>	<u>95</u>

(Continued)

Exhibit K-6

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

	Capital Projects Fund	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$ 0	\$ 4,816	
Officers Costs	0	1,285	
Drug Control Fines	0	3,733	
Drug Court Fees	0	454	
DUI Treatment Fines	0	560	
Data Entry Fee - Circuit Court	0	504	
<u>Criminal Court</u>			
Jail Fees	0	2,011	
<u>General Sessions Court</u>			
Fines	0	6,872	
Officers Costs	0	6,985	
Game and Fish Fines	0	78	
Drug Control Fines	0	3,462	
Drug Court Fees	0	779	
Jail Fees	0	8,486	
District Attorney General Fees	0	632	
DUI Treatment Fines	0	1,395	
Data Entry Fee - General Sessions Court	0	1,082	
<u>Juvenile Court</u>			
Fines	0	181	
Officers Costs	0	570	
Data Entry Fee - Juvenile Court	0	233	
<u>Chancery Court</u>			
Officers Costs	0	321	
Data Entry Fee - Chancery Court	0	341	

(Continued)

Exhibit K-6

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

	<u>Capital Projects Fund</u>		<u>General Capital Projects</u>	<u>Total</u>
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Other Fines, Forfeitures, and Penalties</u>				
Proceeds from Confiscated Property	\$	0	\$	50
Total Fines, Forfeitures, and Penalties	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>44,830</u>
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Tipping Fees	\$	0	\$	5
Patient Charges		0		500,303
Work Release Charges for Board		0		17,084
<u>Fees</u>				
Copy Fees		0		579
Library Fees		0		5,597
Telephone Commissions		0		3,612
Special Commissioner Fees/Special Master Fees		0		600
Data Processing Fee - Register		0		2,148
Sexual Offender Registration Fee - Sheriff		0		1,050
Total Charges for Current Services	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>530,978</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$	0	\$	31,404
Lease/Rentals		0		3,600
Sale of Materials and Supplies		0		15,464
Commissary Sales		0		75,878
Sale of Recycled Materials		0		4,155
Miscellaneous Refunds		0		16,829

(Continued)

Exhibit K-6

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

	Capital Projects Fund	General Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>			
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	\$ 0	\$	208
<u>Other Local Revenues</u>			
Other Local Revenues	0		180
Total Other Local Revenues	<u>\$ 0</u>	<u>\$</u>	<u>147,718</u>
<u>Fees Received From County Officials</u>			
<u>Fees In-Lieu-of Salary</u>			
County Clerk	\$ 0	\$	51,645
Circuit Court Clerk	0		26,072
General Sessions Court Clerk	0		21,555
Clerk and Master	0		24,177
Juvenile Court Clerk	0		2,729
Register	0		22,902
Sheriff	0		1,212
Trustee	0		85,527
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$</u>	<u>235,819</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0	\$	18,000
Solid Waste Grants	0		2,089
Other General Government Grants	0		10,000
<u>Public Safety Grants</u>			
Law Enforcement Training Programs	0		7,200

(Continued)

Exhibit K-6

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

	Capital Projects Fund	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>Health and Welfare Grants</u>			
Health Department Programs	\$ 0	\$	29,790
<u>Public Works Grants</u>			
Bridge Program	0		364,451
Litter Program	0		36,230
Other Public Works Grants	141,938		141,938
<u>Other State Revenues</u>			
Income Tax	0		4,026
Beer Tax	0		18,488
Alcoholic Beverage Tax	0		22,032
State Revenue Sharing - T.V.A.	0		274,174
Emergency Hospital - Prisoners	0		63,688
Contracted Prisoner Boarding	0		904,979
Gasoline and Motor Fuel Tax	0		1,352,678
Petroleum Special Tax	0		4,920
Registrar's Salary Supplement	0		15,164
Other State Grants	0		34,121
Total State of Tennessee	<u>\$ 141,938</u>	<u>\$</u>	<u>3,303,968</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$ 3,000	\$	3,000
Disaster Relief	0		14,554
Total Federal Government	<u>\$ 3,000</u>	<u>\$</u>	<u>17,554</u>

(Continued)

Exhibit K-6

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

	<u>Capital Projects Fund</u>	<u>General Capital Projects</u>	<u>Total</u>
<hr/>			
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 0	\$ 539,934	
<u>Other</u>			
Other	0	369,861	
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 909,795</u>	
Total	<u>\$ 144,938</u>	<u>\$ 6,915,541</u>	

Exhibit K-7

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2016

	Special Revenue Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 582,094	\$ 0	\$ 0	\$ 582,094
Trustee's Collections - Prior Year	26,700	0	0	26,700
Circuit Clerk/Clerk and Master Collections - Prior Years	23,335	0	0	23,335
Interest and Penalty	4,883	0	0	4,883
Payments in-Lieu-of Taxes - T.V.A.	10	0	0	10
<u>County Local Option Taxes</u>				
Local Option Sales Tax	240,885	0	0	240,885
Wheel Tax	57,173	0	0	57,173
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	928	0	0	928
Interstate Telecommunications Tax	600	0	0	600
Total Local Taxes	<u>\$ 936,608</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 936,608</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 266	\$ 0	\$ 0	\$ 266
Total Licenses and Permits	<u>\$ 266</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 266</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 58,827	\$ 58,827
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,827</u>	<u>\$ 58,827</u>

(Continued)

Exhibit K-7

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 1,049	\$ 1,049
Lease/Rentals	15,687	0	0	15,687
Commodity Rebates	0	0	1,389	1,389
Miscellaneous Refunds	48,082	0	1,965	50,047
<u>Nonrecurring Items</u>				
Sale of Equipment	4,000	0	0	4,000
Sale of Property	8,693	0	0	8,693
Contributions and Gifts	44,837	0	0	44,837
<u>Other Local Revenues</u>				
Other Local Revenues	93	0	0	93
Total Other Local Revenues	<u>\$ 121,392</u>	<u>\$ 0</u>	<u>\$ 4,403</u>	<u>\$ 125,795</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 34,312	\$ 0	\$ 0	\$ 34,312
<u>State Education Funds</u>				
Basic Education Program	6,234,000	0	0	6,234,000
Early Childhood Education	655,609	0	0	655,609
Other State Education Funds	401,183	0	0	401,183
Career Ladder Program	44,342	0	0	44,342
<u>Other State Revenues</u>				
Income Tax	1,632	0	0	1,632
Total State of Tennessee	<u>\$ 7,371,078</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,371,078</u>

(Continued)

Exhibit K-7

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 460,892	\$ 460,892
USDA - Commodities	0	0	24,364	24,364
Breakfast	0	0	169,461	169,461
USDA - Other	0	0	17,767	17,767
Vocational Education - Basic Grants to States	0	91,507	0	91,507
Title I Grants to Local Education Agencies	0	599,631	0	599,631
Special Education - Grants to States	0	292,656	0	292,656
Special Education Preschool Grants	0	6,453	0	6,453
Rural Education	0	12,437	0	12,437
Eisenhower Professional Development State Grants	0	85,198	0	85,198
Total Federal Government	<u>\$ 0</u>	<u>\$ 1,087,882</u>	<u>\$ 672,484</u>	<u>\$ 1,760,366</u>
Total	<u>\$ 8,429,344</u>	<u>\$ 1,087,882</u>	<u>\$ 735,714</u>	<u>\$ 10,252,940</u>

Exhibit K-8

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2016

General Fund

General Government

County Commission

Bonus Payments	\$	4,362	
Other Salaries and Wages		15,862	
Board and Committee Members Fees		47,774	
Social Security		3,787	
Employee and Dependent Insurance		6,377	
Unemployment Compensation		733	
Employer Medicare		886	
Audit Services		500	
Bank Charges		217	
Contributions		10,951	
Dues and Memberships		5,728	
Legal Notices, Recording, and Court Costs		2,033	
Rentals		45	
Travel		2,101	
Gasoline		1,837	
Premiums on Corporate Surety Bonds		2,796	
Other Charges		1,988	
Total County Commission			\$ 107,977

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	72,386	
Clerical Personnel		17,890	
Bonus Payments		54	
Social Security		5,627	
Pensions		5,516	
Employee and Dependent Insurance		3,120	
Unemployment Compensation		176	
Employer Medicare		1,316	
Advertising		40	
Communication		5,380	
Data Processing Services		10,290	
Dues and Memberships		1,075	
Postal Charges		3,886	
Travel		1,560	
Office Supplies		1,232	
Premiums on Corporate Surety Bonds		350	
Vehicle and Equipment Insurance		1,121	
Other Charges		236	
Office Equipment		10,765	
Total County Mayor/Executive			142,020

County Attorney

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	52,509	
Bonus Payments		271	
Other Salaries and Wages		2,445	
Election Commission		7,475	
Election Workers		4,595	
Social Security		3,706	
Pensions		4,001	
Unemployment Compensation		111	
Employer Medicare		867	
Communication		2,489	
Data Processing Services		11,600	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		1,735	
Maintenance and Repair Services - Equipment		240	
Postal Charges		123	
Printing, Stationery, and Forms		602	
Rentals		750	
Travel		3,616	
Other Contracted Services		1,670	
Data Processing Supplies		462	
Office Supplies		1,192	
Total Election Commission			\$ 100,659

Register of Deeds

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		21,916	
Bonus Payments		54	
Social Security		4,979	
Pensions		4,446	
Employee and Dependent Insurance		6,240	
Unemployment Compensation		176	
Employer Medicare		1,165	
Communication		2,846	
Data Processing Services		1,908	
Dues and Memberships		513	
Office Supplies		5,054	
Premiums on Corporate Surety Bonds		350	
Total Register of Deeds			107,990

County Buildings

Supervisor/Director	\$	7,064	
Custodial Personnel		22,559	
Bonus Payments		271	
Other Salaries and Wages		12,932	
Social Security		2,675	
Employee and Dependent Insurance		431	
Unemployment Compensation		795	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Employer Medicare	\$	626	
Communication		1,646	
Contributions		20,000	
Maintenance and Repair Services - Buildings		17,045	
Maintenance and Repair Services - Vehicles		166	
Other Contracted Services		9,944	
Custodial Supplies		5,557	
Electricity		41,935	
Propane Gas		5	
Tires and Tubes		680	
Water and Sewer		8,892	
Other Supplies and Materials		1,202	
Other Charges		49	
Total County Buildings			\$ 154,474

Finance

Purchasing

Data Processing Personnel	\$	53,489	
Bonus Payments		108	
Social Security		3,323	
Employee and Dependent Insurance		3,120	
Unemployment Compensation		351	
Employer Medicare		777	
Operating Lease Payments		630	
Office Supplies		1,978	
Total Purchasing			63,776

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		26,192	
Social Security		5,269	
Pensions		4,446	
Employee and Dependent Insurance		6,873	
Unemployment Compensation		176	
Employer Medicare		1,232	
Audit Services		1,080	
Communication		461	
Data Processing Services		6,384	
Dues and Memberships		50	
Legal Notices, Recording, and Court Costs		80	
Office Supplies		420	
Other Supplies and Materials		142	
Premiums on Corporate Surety Bonds		175	
Total Property Assessor's Office			111,323

Reappraisal Program

Clerical Personnel	\$	15,120	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Bonus Payments	\$	54	
Social Security		941	
Employee and Dependent Insurance		6,838	
Unemployment Compensation		166	
Employer Medicare		220	
Maintenance and Repair Services - Vehicles		438	
Gasoline		134	
Total Reappraisal Program			\$ 23,911

County Trustee's Office

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		28,350	
Bonus Payments		54	
Social Security		5,378	
Pensions		4,446	
Employee and Dependent Insurance		6,306	
Unemployment Compensation		374	
Employer Medicare		1,258	
Communication		4,035	
Data Processing Services		8,750	
Dues and Memberships		398	
Legal Notices, Recording, and Court Costs		480	
Printing, Stationery, and Forms		3,351	
Travel		731	
Office Supplies		1,367	
Total County Trustee's Office			123,621

County Clerk's Office

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		45,376	
Bonus Payments		108	
Social Security		6,435	
Pensions		4,446	
Employee and Dependent Insurance		5,376	
Unemployment Compensation		352	
Employer Medicare		1,505	
Communication		1,940	
Data Processing Services		9,238	
Dues and Memberships		775	
Postal Charges		49	
Travel		225	
Office Supplies		1,618	
Premiums on Corporate Surety Bonds		350	
Total County Clerk's Office			136,136

Other Finance

Trustee's Commission	\$	31,644	
Total Other Finance			31,644

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		26,375	
Bonus Payments		54	
Jury and Witness Expense		5,475	
Social Security		5,256	
Pensions		4,446	
Employee and Dependent Insurance		5,671	
Unemployment Compensation		374	
Employer Medicare		1,229	
Advertising		98	
Communication		4,191	
Data Processing Services		5,550	
Dues and Memberships		388	
Operating Lease Payments		1,266	
Office Supplies		3,988	
Premiums on Corporate Surety Bonds		500	
Total Circuit Court			\$ 123,204

General Sessions Court

Judge(s)	\$	68,730	
Social Security		4,261	
Pensions		5,237	
Employer Medicare		997	
Dues and Memberships		175	
Travel		1,562	
Total General Sessions Court			80,962

Drug Court

Other Charges	\$	1,233	
Total Drug Court			1,233

Chancery Court

County Official/Administrative Officer	\$	58,343	
Clerical Personnel		20,890	
Social Security		4,912	
Pensions		4,446	
Employee and Dependent Insurance		6,240	
Unemployment Compensation		176	
Employer Medicare		1,149	
Advertising		50	
Communication		3,155	
Data Processing Services		4,640	
Dues and Memberships		588	
Operating Lease Payments		1,390	
Office Supplies		1,621	
Premiums on Corporate Surety Bonds		200	
Total Chancery Court			107,800

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,178	
Deputy(ies)		242,661	
Investigator(s)		65,705	
Bonus Payments		758	
Other Salaries and Wages		8,890	
In-service Training		15,429	
Social Security		24,088	
Pensions		5,271	
Employee and Dependent Insurance		20,000	
Unemployment Compensation		2,874	
Employer Medicare		5,792	
Dues and Memberships		1,350	
Maintenance Agreements		326	
Maintenance and Repair Services - Vehicles		13,356	
Medical and Dental Services		472	
Gasoline		33,746	
Law Enforcement Supplies		2,104	
Tires and Tubes		5,406	
Uniforms		2,798	
Liability Insurance		38,601	
Premiums on Corporate Surety Bonds		1,000	
Vehicle and Equipment Insurance		29,337	
Other Capital Outlay		17,244	
Total Sheriff's Department			\$ 606,386

Jail

Supervisor/Director	\$	707
Accountants/Bookkeepers		22,678
Dispatchers/Radio Operators		161,238
Guards		320,905
Clerical Personnel		23,304
Cafeteria Personnel		21,656
Bonus Payments		1,679
Other Salaries and Wages		12,994
Social Security		34,538
Employee and Dependent Insurance		30,179
Unemployment Compensation		6,484
Employer Medicare		8,077
Communication		21,167
Operating Lease Payments		4,150
Legal Notices, Recording, and Court Costs		150
Medical and Dental Services		91,981
Postal Charges		1,640
Rentals		3,300
Travel		8,894
Other Contracted Services		9,826
Custodial Supplies		19,061

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Drugs and Medical Supplies	\$	410	
Electricity		50,543	
Food Preparation Supplies		6,622	
Food Supplies		185,821	
Gasoline		497	
General Construction Materials		1,640	
Library Books/Media		556	
Office Supplies		6,385	
Propane Gas		6,610	
Water and Sewer		58,689	
Other Supplies and Materials		21,720	
Specialized Medical Treatment		86,240	
Total Jail			\$ 1,230,341

Juvenile Services

Youth Service Officer(s)	\$	7,403	
Bonus Payments		54	
Social Security		462	
Unemployment Compensation		164	
Employer Medicare		108	
Communication		1,421	
Travel		206	
Office Supplies		64	
Total Juvenile Services			9,882

Commissary

Office Supplies	\$	150	
Other Supplies and Materials		27,893	
Total Commissary			28,043

Civil Defense

Bonus Payments	\$	108	
Other Salaries and Wages		6,706	
Social Security		422	
Unemployment Compensation		159	
Employer Medicare		99	
Maintenance and Repair Services - Vehicles		140	
Medical and Dental Services		115	
Other Contracted Services		115	
Other Supplies and Materials		2,826	
Vehicle and Equipment Insurance		22,282	
Total Civil Defense			32,972

Rescue Squad

Contributions	\$	1,376	
Total Rescue Squad			1,376

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Contracted Services	\$ 31,766	
Total County Coroner/Medical Examiner		\$ 31,766

Other Public Safety

Road Signs	\$ 6,572	
Total Other Public Safety		6,572

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 9,992	
Bonus Payments	54	
Social Security	623	
Unemployment Compensation	201	
Employer Medicare	146	
Communication	4,646	
Maintenance and Repair Services - Buildings	3,240	
Maintenance and Repair Services - Equipment	2,042	
Postal Charges	532	
Custodial Supplies	4,121	
Drugs and Medical Supplies	47	
Electricity	14,898	
Office Supplies	1,155	
Water and Sewer	2,462	
Other Supplies and Materials	199	
Building and Contents Insurance	2,182	
Other Charges	2,551	
Office Equipment	549	
Other Equipment	393	
Total Local Health Center		50,033

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,650
Medical Personnel	352,157
Part-time Personnel	32,566
Overtime Pay	29,798
Bonus Payments	758
In-service Training	720
Social Security	27,943
Employee and Dependent Insurance	25,220
Unemployment Compensation	2,956
Employer Medicare	6,535
Communication	3,533
Data Processing Services	30,346
Dues and Memberships	1,000
Operating Lease Payments	3,578
Legal Notices, Recording, and Court Costs	171
Licenses	1,750

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Buildings	\$	2,656	
Maintenance and Repair Services - Vehicles		10,116	
Medical and Dental Services		845	
Travel		543	
Disposal Fees		309	
Other Contracted Services		308	
Custodial Supplies		1,977	
Diesel Fuel		14,532	
Drugs and Medical Supplies		24,247	
Electricity		4,753	
Office Supplies		632	
Propane Gas		1,837	
Tires and Tubes		5,000	
Uniforms		3,622	
Water and Sewer		1,398	
Other Supplies and Materials		756	
Vehicle and Equipment Insurance		31,130	
Other Charges		1,204	
Communication Equipment		1,227	
Total Ambulance/Emergency Medical Services	\$		667,773

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Bonus Payments	\$	108	
Other Salaries and Wages		19,240	
Social Security		1,206	
Unemployment Compensation		323	
Employer Medicare		282	
Travel		672	
Total Other Local Health Services			21,831

Sanitation Management

Guards	\$	15,924	
Clerical Personnel		2,479	
Bonus Payments		54	
Social Security		1,162	
Employee and Dependent Insurance		260	
Unemployment Compensation		234	
Employer Medicare		272	
Gasoline		1,014	
Other Supplies and Materials		4,998	
Total Sanitation Management			26,397

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information

Guards	\$	384	
Social Security		24	
Unemployment Compensation		8	
Employer Medicare		6	
Total Sanitation Education/Information			\$ 422

Other Public Health and Welfare

Other Contracted Services	\$	1,920	
Other Supplies and Materials		21,096	
Total Other Public Health and Welfare			23,016

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	5,822	
Total Senior Citizens Assistance			5,822

Libraries

Assistant(s)	\$	16,187	
Librarians		21,282	
Part-time Personnel		315	
Bonus Payments		108	
Social Security		2,348	
Employee and Dependent Insurance		3,120	
Unemployment Compensation		352	
Employer Medicare		549	
Communication		3,669	
Dues and Memberships		75	
Travel		226	
Custodial Supplies		701	
Electricity		3,009	
Library Books/Media		4,989	
Office Supplies		3,214	
Periodicals		429	
Water and Sewer		850	
Other Charges		840	
Office Equipment		313	
Total Libraries			62,576

Other Social, Cultural, and Recreational

Other Contracted Services	\$	1,975	
Total Other Social, Cultural, and Recreational			1,975

Agriculture and Natural Resources

Agricultural Extension Service

Communication	\$	3,313	
Dues and Memberships		445	
Rentals		6,000	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agricultural Extension Service (Cont.)

Other Contracted Services	\$	28,041	
Custodial Supplies		152	
Electricity		1,017	
Office Supplies		201	
Water and Sewer		1,030	
Office Equipment		563	
Total Agricultural Extension Service			\$ 40,762

Soil Conservation

Communication	\$	1,356	
Contributions		13,440	
Rentals		3,840	
Electricity		375	
Total Soil Conservation			19,011

Other Operations

Veterans' Services

Bonus Payments	\$	54	
Other Salaries and Wages		6,267	
Social Security		392	
Unemployment Compensation		138	
Employer Medicare		92	
Communication		1,287	
Travel		172	
Total Veterans' Services			8,402

Principal on Debt

General Government

Principal on Notes	\$	31,176	
Principal on Capital Leases		35,192	
Total General Government			66,368

Interest on Debt

General Government

Interest on Notes	\$	1,051	
Interest on Capital Leases		2,147	
Total General Government			3,198

Total General Fund \$ 4,378,809

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	15,357	
Truck Drivers		40,649	
Bonus Payments		325	
Other Salaries and Wages		47,185	

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Social Security	\$	6,436	
Employee and Dependent Insurance		2,340	
Unemployment Compensation		1,320	
Employer Medicare		1,505	
Communication		984	
Contracts with Private Agencies		100,610	
Evaluation and Testing		3,200	
Legal Notices, Recording, and Court Costs		435	
Maintenance and Repair Services - Equipment		19,842	
Other Contracted Services		5,368	
Crushed Stone		1,794	
Diesel Fuel		16,595	
Electricity		1,588	
Tires and Tubes		6,132	
Uniforms		170	
Vehicle Parts		126	
Other Supplies and Materials		10,552	
Trustee's Commission		5,439	
Vehicle and Equipment Insurance		7,451	
Other Charges		1,486	
Total Sanitation Management			\$ 296,889

Total Solid Waste/Sanitation Fund \$ 296,889

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,200	
Trustee's Commission		37	
Other Charges		352	
Total Drug Enforcement			\$ 2,589

Total Drug Control Fund 2,589

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	600	
Total Chancery Court			\$ 600

Total Constitutional Officers - Fees Fund 600

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,178	
Accountants/Bookkeepers		28,000	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Laborers	\$	310,259	
Overtime Pay		21,391	
Data Processing Services		6,706	
Office Supplies		2,084	
Utilities		16,020	
Total Administration			\$ 448,638

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	67,410	
Asphalt - Hot Mix		107,973	
Crushed Stone		95,896	
Pipe - Metal		16,072	
Wood Products		200	
Other Supplies and Materials		14,758	
Total Highway and Bridge Maintenance			302,309

Operation and Maintenance of Equipment

Diesel Fuel	\$	21,864	
Equipment and Machinery Parts		26,942	
Gasoline		17,793	
Lubricants		3,664	
Tires and Tubes		8,045	
Total Operation and Maintenance of Equipment			78,308

Other Charges

Dues and Memberships	\$	1,952	
Licenses		752	
Trustee's Commission		13,576	
Vehicle and Equipment Insurance		53,906	
Other Charges		3,320	
Total Other Charges			73,506

Employee Benefits

Social Security	\$	26,324	
Pensions		4,890	
Life Insurance		13,312	
Medical Insurance		44,402	
Unemployment Compensation		2,904	
Employer Medicare		6,156	
Other Fringe Benefits		9,189	
Workers' Compensation Insurance		30,154	
Total Employee Benefits			137,331

Capital Outlay

Operating Lease Payments	\$	2,135	
Bridge Construction		313,616	
Highway Equipment		19,500	
Land		150,000	
Total Capital Outlay			485,251

Total Highway/Public Works Fund \$ 1,525,343

(Continued)

Exhibit K-8

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 254,400	
Principal on Notes	33,000	
Total General Government	\$ 287,400	

Education

Principal on Bonds	\$ 285,600	
Total Education		285,600

Interest on Debt

General Government

Interest on Bonds	\$ 196,447	
Interest on Notes	1,320	
Interest on Other Loans	4,722	
Total General Government	202,489	

Education

Interest on Bonds	\$ 162,877	
Interest on Other Loans	10,110	
Total Education		172,987

Other Debt Service

General Government

Trustee's Commission	\$ 1,958	
Underwriter's Discount	4,701	
Other Debt Issuance Charges	5,949	
Other Debt Service	2,665	
Total General Government	15,273	

Education

Underwriter's Discount	\$ 93,244	
Other Debt Issuance Charges	117,997	
Other Debt Service	30,128	
Total Education		241,369

Total General Debt Service Fund \$ 1,205,118

General Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Motor Vehicles	\$ 73,753	
Total Regular Capital Outlay		\$ 73,753

Principal on Debt

General Government

Principal on Notes	\$ 6,247	
Total General Government		6,247

(Continued)

Exhibit K-8

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

General Capital Projects Fund (Cont.)

Capital Projects

Public Utility Projects

Site Development	\$ 14,400	
Other Construction	<u>126,394</u>	
Total Public Utility Projects		\$ 140,794

Other General Government Projects

Other Capital Outlay	\$ <u>3,000</u>	
Total Other General Government Projects		<u>3,000</u>

Total General Capital Projects Fund \$ 223,794

Other Capital Projects Fund

Other Operations

Industrial Development

Water and Sewer	\$ <u>20,000</u>	
Total Industrial Development		\$ 20,000

Capital Projects

Public Utility Projects

Other Construction	\$ <u>10,723</u>	
Total Public Utility Projects		<u>10,723</u>

Total Other Capital Projects Fund 30,723

Total Governmental Funds - Primary Government \$ 7,663,865

Exhibit K-9

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2016

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,422,214	
Career Ladder Program		25,000	
Homebound Teachers		20,430	
Certified Substitute Teachers		8,848	
Non-certified Substitute Teachers		38,162	
Social Security		149,468	
Pensions		222,401	
Medical Insurance		196,186	
Unemployment Compensation		5,510	
Employer Medicare		34,956	
Instructional Supplies and Materials		5,909	
Textbooks		78,378	
Total Regular Instruction Program			\$ 3,207,462

Alternative Instruction Program

Teachers	\$	42,202	
Social Security		2,420	
Pensions		3,815	
Medical Insurance		1,273	
Unemployment Compensation		95	
Employer Medicare		566	
Total Alternative Instruction Program			50,371

Special Education Program

Teachers	\$	370,619	
Career Ladder Program		3,000	
Educational Assistants		88,359	
Certified Substitute Teachers		100	
Non-certified Substitute Teachers		4,491	
Social Security		28,166	
Pensions		33,585	
Medical Insurance		44,067	
Unemployment Compensation		1,710	
Employer Medicare		6,587	
Other Contracted Services		9,835	
Other Supplies and Materials		4,873	
Total Special Education Program			595,392

Vocational Education Program

Teachers	\$	307,030	
Career Ladder Program		3,000	
Educational Assistants		9,825	
Certified Substitute Teachers		400	
Non-certified Substitute Teachers		5,709	
Social Security		18,885	
Pensions		27,813	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Medical Insurance	\$	32,611	
Unemployment Compensation		760	
Employer Medicare		4,417	
Total Vocational Education Program			\$ 410,450

Support Services

Attendance

Supervisor/Director	\$	62,776	
Career Ladder Program		500	
Other Salaries and Wages		73,118	
Social Security		7,946	
Pensions		5,720	
Medical Insurance		15,816	
Unemployment Compensation		475	
Employer Medicare		1,858	
Travel		3,724	
Total Attendance			171,933

Health Services

Other Salaries and Wages	\$	73,206	
Social Security		4,108	
Pensions		5,260	
Medical Insurance		5,811	
Unemployment Compensation		190	
Employer Medicare		961	
Travel		1,484	
Other Supplies and Materials		5,005	
Other Charges		3,850	
Total Health Services			99,875

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		95,196	
School Resource Officer		37,600	
Other Salaries and Wages		116,800	
Social Security		14,954	
Pensions		11,069	
Medical Insurance		22,587	
Unemployment Compensation		1,045	
Employer Medicare		3,497	
Travel		2,000	
Other Supplies and Materials		52	
Total Other Student Support			306,800

Regular Instruction Program

Supervisor/Director	\$	29,062	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Program	\$	1,500	
Librarians		123,204	
Materials Supervisor		49,031	
Instructional Computer Personnel		39,580	
Social Security		14,569	
Pensions		18,333	
Medical Insurance		13,565	
Unemployment Compensation		570	
Employer Medicare		3,407	
Maintenance and Repair Services - Equipment		11,081	
Travel		1,802	
Other Contracted Services		15,958	
Other Supplies and Materials		1,859	
In Service/Staff Development		1,350	
Other Charges		14,200	
Total Regular Instruction Program			\$ 339,071

Special Education Program

Supervisor/Director	\$	67,722	
Career Ladder Program		1,000	
Social Security		4,017	
Pensions		5,952	
Medical Insurance		5,866	
Unemployment Compensation		95	
Employer Medicare		940	
Travel		4,129	
Total Special Education Program			89,721

Vocational Education Program

Supervisor/Director	\$	61,854	
Social Security		3,709	
Pensions		5,592	
Medical Insurance		2,492	
Unemployment Compensation		95	
Employer Medicare		867	
Travel		1,367	
Total Vocational Education Program			75,976

Other Programs

On-behalf Payments to OPEB	\$	34,312	
Total Other Programs			34,312

Board of Education

Secretary to Board	\$	1,300	
Board and Committee Members Fees		8,300	
Social Security		577	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Employer Medicare	\$	139	
Audit Services		6,725	
Dues and Memberships		8,229	
Travel		4,933	
Liability Insurance		71,241	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		29,483	
Workers' Compensation Insurance		45,116	
Other Charges		17,554	
Total Board of Education			\$ 193,947

Director of Schools

County Official/Administrative Officer	\$	75,000	
Career Ladder Program		1,000	
Social Security		4,571	
Pensions		6,655	
Medical Insurance		5,866	
Unemployment Compensation		95	
Employer Medicare		1,069	
Other Fringe Benefits		622	
Communication		5,984	
Postal Charges		1,365	
Travel		5,922	
Office Supplies		3,524	
Total Director of Schools			111,673

Office of the Principal

Principals	\$	130,366	
Career Ladder Program		1,000	
Assistant Principals		47,833	
Secretary(ies)		40,945	
Social Security		13,451	
Pensions		16,245	
Medical Insurance		6,965	
Unemployment Compensation		665	
Employer Medicare		3,146	
Total Office of the Principal			260,616

Fiscal Services

Accountants/Bookkeepers	\$	68,560	
Social Security		3,870	
Medical Insurance		10,232	
Unemployment Compensation		190	
Employer Medicare		905	
Travel		1,260	
Other Contracted Services		18,936	
Other Supplies and Materials		3,596	
Total Fiscal Services			107,549

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	150,940	
Other Salaries and Wages		18,270	
Social Security		10,381	
Medical Insurance		21,895	
Unemployment Compensation		1,140	
Employer Medicare		2,428	
Maintenance and Repair Services - Equipment		12,751	
Disposal Fees		3,790	
Other Contracted Services		9,530	
Custodial Supplies		14,333	
Electricity		310,431	
Natural Gas		9,668	
Water and Sewer		30,401	
Total Operation of Plant			\$ 595,958

Maintenance of Plant

Supervisor/Director	\$	14,397	
Social Security		946	
Medical Insurance		4,153	
Unemployment Compensation		95	
Employer Medicare		221	
Maintenance and Repair Services - Buildings		15,288	
Maintenance and Repair Services - Equipment		29,707	
Total Maintenance of Plant			64,807

Transportation

Supervisor/Director	\$	27,600	
Mechanic(s)		16,090	
Bus Drivers		202,771	
Social Security		14,089	
Medical Insurance		16,789	
Unemployment Compensation		2,375	
Employer Medicare		3,530	
Maintenance and Repair Services - Vehicles		39,293	
Travel		105	
Diesel Fuel		39,547	
Gasoline		29,787	
Tires and Tubes		10,825	
Other Charges		3,892	
Transportation Equipment		172,796	
Total Transportation			579,489

Operation of Non-Instructional Services

Community Services

Teachers	\$	2,750	
Social Security		170	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Pensions	\$	249	
Employer Medicare		40	
Other Supplies and Materials		262	
In Service/Staff Development		984	
Total Community Services			\$ 4,455

Early Childhood Education

Supervisor/Director	\$	48,568	
Teachers		244,591	
Educational Assistants		144,625	
Other Salaries and Wages		67,780	
Non-certified Substitute Teachers		8,323	
Social Security		31,277	
Pensions		29,333	
Medical Insurance		37,251	
Unemployment Compensation		2,470	
Employer Medicare		7,315	
Other Supplies and Materials		32,219	
In Service/Staff Development		1,858	
Total Early Childhood Education			655,610

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	11,207	
Total Regular Capital Outlay			11,207

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	492,434	
Total Education			492,434

Total General Purpose School Fund \$ 8,459,108

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	65,729	
Educational Assistants		17,474	
Other Salaries and Wages		223,188	
Non-certified Substitute Teachers		18,597	
Social Security		19,289	
Pensions		26,118	
Medical Insurance		13,641	
Unemployment Compensation		950	
Employer Medicare		4,511	
Instructional Supplies and Materials		20,596	
Regular Instruction Equipment		51,150	
Total Regular Instruction Program			\$ 461,243

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Educational Assistants	\$	113,793	
Social Security		6,381	
Unemployment Compensation		950	
Employer Medicare		1,639	
Other Contracted Services		29,040	
Instructional Supplies and Materials		2,611	
Other Supplies and Materials		1,240	
Special Education Equipment		942	
Total Special Education Program			\$ 156,596

Vocational Education Program

Teachers	\$	31,500	
Social Security		1,843	
Pensions		2,835	
Medical Insurance		5,366	
Unemployment Compensation		95	
Employer Medicare		431	
Maintenance and Repair Services - Equipment		1,076	
Instructional Supplies and Materials		11,662	
Vocational Instruction Equipment		25,155	
Total Vocational Education Program			79,963

Support Services

Other Student Support

Secretary(ies)	\$	15,348	
Social Security		804	
Medical Insurance		5,866	
Employer Medicare		188	
Maintenance and Repair Services - Equipment		2,254	
Travel		2,741	
Other Contracted Services		30,112	
In Service/Staff Development		8,432	
Other Charges		14,654	
Total Other Student Support			80,399

Regular Instruction Program

Supervisor/Director	\$	29,062	
Secretary(ies)		12,950	
Other Salaries and Wages		79,315	
Social Security		7,377	
Pensions		9,212	
Medical Insurance		8,049	
Unemployment Compensation		380	
Employer Medicare		1,725	
Postal Charges		147	
Library Books/Media		3,398	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Periodicals	\$	940	
In Service/Staff Development		33,085	
Total Regular Instruction Program			\$ 185,640

Special Education Program

Other Contracted Services	\$	25,320	
Total Special Education Program			25,320

Vocational Education Program

Travel	\$	1,000	
In Service/Staff Development		1,536	
Total Vocational Education Program			2,536

Transportation

Bus Drivers	\$	13,120	
Social Security		814	
Medical Insurance		4,153	
Unemployment Compensation		95	
Employer Medicare		191	
Transportation Equipment		58,800	
Total Transportation			77,173

Total School Federal Projects Fund \$ 1,068,870

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	51,113	
Cafeteria Personnel		144,258	
Social Security		12,044	
Pensions		4,621	
Unemployment Compensation		993	
Employer Medicare		2,817	
Maintenance and Repair Services - Equipment		19,960	
Other Contracted Services		5,724	
Food Supplies		381,267	
USDA - Commodities		22,553	
Other Supplies and Materials		2,305	
In Service/Staff Development		1,272	
Food Service Equipment		344	
Total Food Service			\$ 649,271

Total Central Cafeteria Fund 649,271

Total Governmental Funds - School Department \$ 10,177,249

Exhibit K-10

Hancock County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balance - City Agency Fund
For the Year Ended June 30, 2016

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 188,337
Total Cash Receipts	<u>\$ 188,337</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 186,455
Trustee's Commission	<u>1,882</u>
Total Cash Disbursements	<u>\$ 188,337</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2015	<u>0</u>
 Cash Balance, June 30, 2016	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hancock County's basic financial statements, and have issued our report thereon dated September 13, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

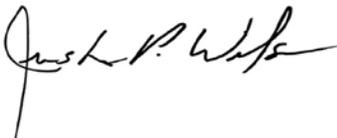
Hancock County's Responses to Findings

Hancock County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Hancock 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hancock County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 13, 2016

JPW/kp



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

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by Uniform Guidance**

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hancock County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hancock County's major federal programs for the year ended June 30, 2016. Hancock County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hancock County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have

a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hancock County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Hancock County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hancock County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

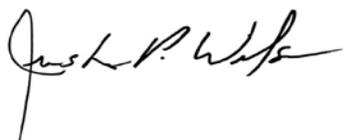
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hancock County's basic financial statements. We issued our report thereon dated September 13, 2016, 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 the Uniform Guidance 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 13, 2016

JPW/kp

Hancock County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1), (2)
For the Year Ended June 30, 2016

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	\$ 169,461
National School Lunch Program	10.555	N/A	478,659 (4)
Passed-through State Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	22,553 (4)
National School Lunch Program (Commodities - Cash Assistance)	10.555	N/A	1,811 (4)
Total U.S. Department of Agriculture			<u>\$ 672,484</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(3)	\$ 14,400
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	(3)	3,000
Total U.S. Department of Housing and Urban Development			<u>\$ 17,400</u>
Appalachian Regional Commission:			
Passed-through Marshall University:			
Appalachian Area Development	23.002	(3)	\$ 2,605
Total Appalachian Regional Commission			<u>\$ 2,605</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 599,631
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	292,656
Special Education - Preschool Grants	84.173	N/A	6,453
Career and Technical Education - Basic Grants to States	84.048	N/A	91,507
Rural Education	84.358	N/A	12,437
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	85,198
Total U.S. Department of Education			<u>\$ 1,087,882</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Public Assistance Grants	97.036	(3)	\$ 14,554
Total U.S. Department of Homeland Security			<u>\$ 14,554</u>
Total Expenditures of Federal Awards			<u>\$ 1,794,925</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Justice - State Commission on Children and Youth	N/A	(3)	\$ 18,000
Litter Program - State Department of Transportation	N/A	(3)	36,230
Local Health Center - State Department of Health	N/A	GG-16-45318-00	27,978
Family Resource Center - State Department of Education	N/A	(3)	29,612
Safe Schools Act Grant - State Department of Education	N/A	(3)	7,000
Coordinated School Health - State Department of Education	N/A	(3)	85,000
Connect TN - State Department of Education	N/A	(3)	2,583
Fast Track Industrial Development Project - State Department of Economic and Community Development	N/A	9684	141,938
Early Childhood Education Pilot Project - State Department of Education	N/A	(3)	<u>655,609</u>
Total State Grants			<u>\$ 1,003,950</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) Hancock County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Total for CFDA No. 10.555 is \$503,023.

Hancock County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2016

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their current status from the Annual Financial Report for Hancock County, Tennessee, for the year ended June 30, 2016.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2015	173	2015-001	Some Purchase Orders Were Issued After the Purchases Were Made	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	173	2015-002	Expenditures Exceeded Appropriations	N/A	Corrected
2015	174	2015-003	Duties Were Not Segregated Adequately in the Offices of County Clerk, Clerk and Master, Register of Deeds, Sheriff, and Home Health	N/A	Not Corrected - See Explanation on Corrective Action Plan

Prior-year Federal Award Findings

There were no prior-year federal award findings to report.

HANCOCK COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Hancock County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs: **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of major federal programs:
 - * CFDA Numbers: 10.553 and 10.555 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program
8. Dollar threshold used to distinguish between type A and Type B Programs: **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit of the financial statements of Hancock County, Tennessee, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Paraphrased written responses for all findings are presented following each finding and recommendation. Management's corrective action plan, whether related to the financial statements or federal awards, is presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. The county mayor, county clerk, clerk and master, register of deeds, and sheriff provided corrective action plans.

Findings relating specifically to the audit of federal awards of Hancock County, Tennessee are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF COUNTY MAYOR

FINDING 2016-001

SOME PURCHASE ORDERS WERE ISSUED AFTER THE PURCHASES WERE MADE

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

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 26 disbursements totaling \$45,257 from a population of approximately 4,653 vendor checks totaling \$5,692,768. Our sample revealed that in three of 21 applicable instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. This deficiency is the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Thomas Harrison, Michelle Hopkins, and Michelle Reed will be implementing a corrective action plan that will help prevent purchase orders from being made after the fact. We have met with all the offices that ask for purchase orders and have informed them that a number will not be issued nor payment made for any purchase order incorrectly obtained. Anticipated completion date of this action will be by 2017 audit year-end. This particular findings has been a repeat finding for a couple of years. We are only as good as everyone cooperates. However, we know we have improved by leaps and bounds this past fiscal year.

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

FINDING 2016-002

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among officials and employees in the Offices of County Clerk, Clerk and Master, Register of Deeds, Sheriff, and Home Health. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

COMBINED MANAGEMENT'S RESPONSES – COUNTY CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF

We concur with the finding. We will implement internal controls to segregate duties to the extent possible using available resources by utilizing the segregation of duties checklist on the Division of Local Government Audit's website as a guide for how to adequately segregate duties in small offices.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Myra Morelock and Kay Johnson will help insure this repeat finding will not happen again. Measures have been put in place so that the person getting the mail, writing the receipt, and making the deposit aren't the same people. However, each person carrying out each duty will sign off on the other's duty as well, making sure that one person is not doing it all. Fiscal year-end 2017 is the target date to make sure that this task is completed.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016. Our audit followed audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Findings relating specifically to the audit of the financial statements of Hancock County, Tennessee, are separately presented under Part II, Findings Relating to the Financial Statements.

Hancock County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2016

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented below:

Corrective Action - Financial Statement Findings

OFFICE OF COUNTY MAYOR

**FINDING 2016-001 **SOME PURCHASE ORDERS WERE ISSUED AFTER
THE PURCHASES WERE MADE****

Response and Corrective Action Plan Prepared by:	Thomas Harrison, County Mayor, Hancock County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	June 30, 2017
Repeat Finding:	Yes
Reason Why Corrective Action was not Taken – PY	To our defense our corrective action was taken but not to the fullest extent of what it should have been based upon the best practice participation from all offices. We are currently striving to make that 100% better still depending upon participation from every office.

Planned Corrective Action:

Some purchase orders were issued after the purchases were made and we have met with all offices to ask for purchase orders and have informed them that a number will not be issued nor payment made for any purchase order incorrectly obtained.

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

FINDING 2016-002

DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:

Thomas Harrison, County Mayor; Jessie Royston, County Clerk; Judith Trent, Clerk and Master; Janie Lamb, Register of Deeds; and Ralph Seal, Sheriff of Hancock County, Tennessee

Person Responsible for Implementing the Corrective Action:

Same

Anticipated Completion Date of Corrective Action:

June 30, 2017

Repeat Finding:

Yes

Reason Why Corrective Action was not Taken – PY

County Mayor, County Clerk, Clerk and Master, Register of Deeds and Sheriff - Officials did not believe they had the resources to correct this finding with only minimal employees.

Planned Corrective Action:

County Mayor, County Clerk, Clerk and Master, Register of Deeds and Sheriff:

I will implement internal controls to segregate duties to the extent possible using available resources. I will utilize the segregation of duties checklists on the Division of Local Government Audit's website as a guide for how to adequately segregate duties in small offices.

BEST PRACTICE

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

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

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

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