
ANNUAL FINANCIAL REPORT HAMBLLEN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



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

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

BRYAN W. BURKLIN, CPA, CGFM
Audit Manager

MARK TREECE, CPA, CGFM
Auditor 4

KRISTINE GALITZA, CPA
VERNA DAVIS
GREG BRUSH, CISA
State Auditors

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

HAMBLLEN COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6
<u>INTRODUCTORY SECTION</u>		7
Hamblen County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
Management's Discussion and Analysis		14-30
BASIC FINANCIAL STATEMENTS:		31
Government-wide Financial Statements:		
Statement of Net Position	A	32-33
Statement of Activities	B	34-35
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	39
Statements of Revenues, Expenditures, and Changes in Fund Balances - Actual (Budgetary Basis) and Budget:		
General Fund	C-5	40-43
Solid Waste/Sanitation Fund	C-6	44
Fiduciary Funds:		
Statement of Fiduciary Net Position	D-1	45
Statement of Changes in Fiduciary Net Position	D-2	46
Index and Notes to the Financial Statements		47-95
REQUIRED SUPPLEMENTARY INFORMATION:		96
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Hamblen County School Department	E-1	97
Schedule of Funding Progress – Pension Plan – Hamblen County Emergency Communications District	E-2	98
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Hamblen County School Department	E-3	99
Notes to the Required Supplementary Information		100

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		101
Nonmajor Governmental Funds:		102-103
Combining Balance Sheet	F-1	104
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	105-106
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Drug Control Fund	F-3	107
Highway/Public Works Fund	F-4	108
Highway Capital Projects Fund	F-5	109
Major Governmental Fund:		110
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	111
Fiduciary Funds:		112
Combining Statement of Fiduciary Assets and Liabilities	H-1	113
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	114
Component Unit:		
Discretely Presented Hamblen County School Department:		115
Statement of Activities	I-1	116
Balance Sheet – Governmental Funds	I-2	117
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	118
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	119
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	120
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	121
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	122
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	123-124
School Federal Projects Fund	I-9	125
Central Cafeteria Fund	I-10	126

	Exhibit	Page(s)
Miscellaneous Schedules:		127
Schedule of Changes in Long-term Other Loans and Bonds	J-1	128
Schedule of Long-term Debt Requirements by Year	J-2	129
Schedule of Transfers – Primary Government and Discretely Presented Hamblen County School Department	J-3	130
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Hamblen County School Department	J-4	131
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	132-141
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Hamblen County School Department	J-6	142-144
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	145-165
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Hamblen County School Department	J-8	166-176
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	177
<u>SINGLE AUDIT SECTION</u>		178
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 <i>Government Auditing Standards</i>		179-181
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 OMB Circular A-133		182-184
Schedule of Expenditures of Federal Awards and State Grants		185-187
Schedule of Audit Findings Not Corrected		188
Schedule of Findings and Questioned Costs		189-194
Auditee Reporting Responsibilities		195

Audit Highlights

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

Scope

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

Results

Our report on the financial statements of Hamblen County is unmodified.

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

Findings and Best Practice

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

OFFICE OF HIGHWAY COMMISSIONER

- ◆ The office did not purchase from the lowest bidder.
- ◆ The office had deficiencies in receipting procedures.

OFFICE OF TRUSTEE

- ◆ The 2011 property tax aggregate report did not reconcile with the balance of delinquent taxes filed for collection with the Office of Clerk and Master.

OFFICE OF SHERIFF

- ◆ Arrestee files did not include an acknowledgement from the Tennessee Bureau of Investigation that fingerprints had been received and accepted.

BEST PRACTICE

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

INTRODUCTORY SECTION

Hamblen County Officials

June 30, 2013

Officials

Bill Brittain, County Mayor
Barry Poole, Highway Commissioner
Dr. Dale Lynch, Director of Schools
John Baskette, Trustee
John Ely, Assessor of Property
Linda Wilder, County Clerk
Teresa West, Circuit and General Sessions Courts Clerk
Kathy Terry, Clerk and Master
Jim Clawson, Register of Deeds
Esco Jarnagin, Sheriff
Joey Barnard, Finance Director

Board of County Commissioners

Stancil Ford, Chairman	Herbert Harville
Larry Baker	Louis Jarvis
Larry Carter	Paul LeBel
Tim Dennison	Wayne NeSmith
Rick Eldridge	Nancy Phillips
Doyle Fullington	Howard Shipley
Tim Goins	Dana Wampler

Board of Highway Commissioners

Charles Anderson, Chairman	E.C. Long
Gail Free	Delbert Nix
James Hall	Wayne Pigmon
Dr. Arthur Tom Hyde	

Board of Education

Joe Gibson, Jr., Chairman	Janice Haun
Gary Chesney	Carolyn Holt
Roger Greene	Clyde Kinder
James Grigsby	

Audit Committee

Tim Goins, Chairman	Doyle Fullington
Larry Carter	Herbert Harville
Stancil Ford	Louis Jarvis

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

Hamblen County Mayor and
Board of County Commissioners
Hamblen 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamblen County Emergency Communications District, which represent 2.9 percent, 4.1 percent, and two percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamblen County Emergency Communications District, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Solid Waste/Sanitation funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

We draw attention to Note V.B. in the financial statements, which describes a restatement to the beginning net position of the governmental activities totaling \$354,674. This restatement was necessary due to the implementation of GASB Statement No. 65.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14-30 and the schedule of funding progress – pension plan and other postemployment benefits plan on pages 97-100 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 Hamblen 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 Hamblen County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

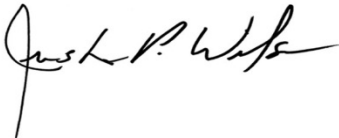
schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hamblen County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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 October 24, 2013, on our consideration of Hamblen 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 Hamblen County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 24, 2013

JPW/sb

HAMBLEN COUNTY GOVERNMENT

Bill Brittain
County Mayor



"The People's House"

HAMBLEN COUNTY, TENNESSEE MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2013

As management for Hamblen County, Tennessee, we offer readers of the financial statements of Hamblen County, Tennessee, this narrative overview and analysis of the financial activities of Hamblen County Government for the fiscal year ended June 30, 2013. In addition, this discussion and analysis includes an overview of the Discretely Presented Component Unit Hamblen County School Department. A separate set of financial statements is not issued for the Hamblen County School Department. The intent of this discussion and analysis is to look at Hamblen County's and the discretely presented Hamblen County School Department's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the basic financial statements and notes to the financial statements to enhance their understanding of Hamblen County's financial performance, as well as, the discretely presented Hamblen County School Department's financial performance.

The Hamblen County Emergency Communications District is also a discretely presented component unit of the county. Although the district's financial statements are included in this report, readers should also review the separately issued financial statements and management's discussion and analysis for this discretely presented component unit.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of Hamblen County exceeded its assets and deferred outflows of resources at the close of the fiscal year by approximately \$4.6 million (net position). However, it should be noted that the financial statements of Hamblen County included debt totaling approximately \$35.6 million attributed to the Hamblen County Board of Education. The discretely presented Hamblen County School Department's assets exceeded its liabilities and deferred inflows of resources by approximately \$57.7 million at June 30, 2013.
- The primary government's total net position increased by approximately \$1 million. The discretely presented Hamblen County School Department's net position decreased by approximately \$3.1 million. The increase in the primary government's total net position was due to the retirement of debt. The decrease of the discretely presented Hamblen County School Department's total net position was attributed to the accrual of other postemployment benefits (OPEB).
- As of the close of the fiscal year, Hamblen County's Governmental funds reported approximately \$17.1 million in total combined fund balances; this is an approximate increase of \$.6 million from the previous period. Of this amount, approximately

\$6.5 million represents funds that are available for spending (assigned and unassigned). The discretely presented Hamblen County School Department's governmental funds reported approximately \$17.7 million in total combined fund balances; this is a decrease of approximately \$1.9 million from the previous period.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$4.8 million or 29.9 percent of the General Fund's annual budgetary expenditures. The unassigned fund balance of the discretely presented Hamblen County School Department's General Purpose School Fund was approximately \$4 million or 5.6 percent of the fund's annual budgetary expenditures (including other uses).
- The total debt (bonds and other loans) of Hamblen County, Tennessee, decreased by approximately \$3.6 million or eight percent during the current fiscal year.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Hamblen County's and the discretely presented Hamblen County School Department's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements were created to give readers a broad overview, in a manner similar to a private-sector business, of the county's and school's finances. The government-wide financial statements consist of two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of Hamblen County's and its discretely presented component units' assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the county and its discretely presented component units is improving or deteriorating.

The Statement of Activities presents information showing how Hamblen County's and its discretely presented component units' net position changed during the current fiscal year. All changes in net position are reported on the accrual basis of accounting as soon as the underlying events giving rise to changes occur. Therefore, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods.

These government-wide financial statements of Hamblen County and the discretely presented Hamblen County School Department distinguish between major functions that are principally supported by taxes and intra-governmental revenues from functions that are intended to recover all, or a significant portion of, their costs from user fees and/or charges – business type activities. The governmental activities of Hamblen County include: general government; finance; administration of justice; public safety; public health and

welfare; social, cultural, and recreational services; agriculture and natural resources; other operations; highways; and education. Hamblen County and the discretely presented Hamblen County School Department have no business-type activities.

The government-wide financial statements include not only Hamblen County Government itself (known as the primary government), but also a legally separate school system for which the Hamblen County Government is financially accountable. These statements also include a legally separate Hamblen County Emergency Communications District. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found in Exhibits A and B.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hamblen County and the discretely presented Hamblen County School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Hamblen County and the discretely presented Hamblen County School Department can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheets and the governmental funds' statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Hamblen County maintains nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General, Solid Waste/Sanitation, and General Debt Service funds; all of which are considered major funds. Financial data from the remaining governmental funds are combined into a single, aggregated amount with detail provided in the combining and individual fund financial statements and schedules.

The discretely presented Hamblen County School Department maintains five individual governmental funds. The General Purpose School Fund and the Central Cafeteria Fund are considered major funds.

Hamblen County adopts an annual budget for its General Fund, all special revenue funds (except the Constitutional Officers – Fees Fund), the General Debt Service Fund, and the Highway Capital Projects Fund. The discretely presented Hamblen County School Department, with the approval of the county, adopts an annual budget for its General Purpose School Fund and all special revenue funds. Budgetary comparisons have been provided for these funds to demonstrate budgetary compliance.

Governmental fund financial statements can be found in the table of contents.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Hamblen County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds (economic resources measurement) except agency funds, which have no measurement focus. The basic fiduciary fund financial statements can be found as Exhibit D-1.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located in the table of contents.

Other Information. In addition to the basic financial statements and accompanying notes, this report also contains combining and individual fund statements and schedules for Hamblen County and the discretely presented Hamblen County School Department. A table of contents has been provided to locate this information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. Hamblen County's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2013, by \$4,573,715. The Constitution for the State of Tennessee allows only the local legislative body to issue debt. Therefore, whenever the Hamblen County Board of Education requires the issuance of debt to fund major capital projects or equipment purchases, the related debt must be issued by Hamblen County. At the end of the fiscal year, Hamblen County had outstanding debt related to the Hamblen County Board of Education of \$35,582,567. The related assets for this debt are reported on the Statement of Net Position under component units in the column Hamblen County School Department. The discretely presented Hamblen County School Department's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2013, by \$57,709,088.

Hamblen County's and the Discretely Presented Hamblen County School Department's Net Position

	Hamblen County Primary Government Governmental Activities	
	2012	2013
Current and Other Assets	\$ 30,890,257	\$ 30,706,623
Capital Assets	20,137,958	20,251,038
Total Assets	\$ 51,028,215	\$ 50,957,661
Total Deferred Outflows of Resources	\$ 4,220,786	\$ 548,383
Long-term Liabilities Outstanding	\$ 43,641,011	\$ 40,417,549
Other Liabilities	1,606,188	3,366,979
Total Liabilities	\$ 45,247,199	\$ 43,784,528
Total Deferred Inflows of Resources	\$ 15,564,663	\$ 12,295,231
Net Position:		
Net Investment in Capital Assets	\$ 15,857,131	\$ 16,321,771
Restricted	7,588,424	5,440,427
Unrestricted	(29,008,416)	(26,335,913)
Total Net Position	\$ (5,562,861)	\$ (4,573,715)

	Hamblen County School Department Governmental Activities	
	2012	2013
Current and Other Assets	\$ 34,291,464	\$ 32,306,779
Capital Assets	51,058,267	51,777,840
Total Assets	\$ 85,349,731	\$ 84,084,619
Long-term Liabilities Outstanding	\$ 11,324,265	\$ 13,066,517
Other Liabilities	676,802	625,032
Total Liabilities	\$ 12,001,067	\$ 13,691,549
Total Deferred Inflows of Resources	\$ 12,584,494	\$ 12,683,982
Net Position:		
Net Investment in Capital Assets	\$ 51,058,267	\$ 51,777,840
Restricted	4,018,984	3,587,436
Unrestricted	5,686,919	2,343,812
Total Net Position	\$ 60,764,170	\$ 57,709,088

By far, the largest portion of Hamblen County's and the discretely presented Hamblen County School Department's net position is \$16,321,771 and \$51,777,840, respectively, reflecting their investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. Hamblen County and the discretely presented Hamblen County School Department use these capital assets to provide services to its citizenry; therefore, these assets are not available to meet any obligations. Although Hamblen County's investment in capital assets is reported net of related debt, resources needed to repay this debt must come from outside resources because the capital assets themselves cannot be liquidated to pay these liabilities.

An additional portion of Hamblen County's and the discretely presented Hamblen County School Department's net position is \$5,440,427 and \$3,587,436, respectively, which are subject to external restrictions on how they may be used.

Hamblen County's unrestricted net position is a negative \$26,335,913. This negative balance represents all unrestricted non-capital related assets net of Hamblen County's debt of \$39,500,747.

Hamblen County's and the Discretely Presented Hamblen County School Department's Changes in Net Position

	Hamblen County Primary Government Governmental Activities	
	2012	2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 5,457,803	\$ 5,517,690
Operating Grants and Contributions	2,559,438	2,374,782
Capital Grants and Contributions	474,653	706,836
General Revenues:		
Property Taxes	11,698,784	12,249,702
Sales Taxes	997,873	1,295,049
Other Taxes	2,148,124	2,166,623
Grants and Contributions Not Restricted to Specific Programs	1,866,656	1,967,774
Unrestricted Investment Income	272,328	193,546
Miscellaneous	372,186	379,029
Gain on Disposal of Capital Assets	55,722	82,296
Total Revenues	\$ 25,903,567	\$ 26,933,327
Expenses:		
General Government	\$ 2,175,846	\$ 2,113,797
Finance	2,002,601	1,873,791
Administration of Justice	2,100,129	2,131,566
Public Safety	5,942,653	6,179,310
Public Health and Welfare	3,375,782	3,502,364
Social, Cultural, and Recreational Services	810,646	807,104
Agriculture and Natural Resources	169,110	184,843
Other Operations	1,277,557	1,488,985
Highways	2,921,954	2,699,127
Education	3,371	6,786
Interest	1,805,206	1,804,580
Other Debt Service	62,245	14,309
Total Expenses	\$ 22,647,100	\$ 22,806,562
Change in Fair Value of Derivatives - Interest Rate Swap	\$ 0	\$ (2,782,945)
Increase (Decrease) in Net Position	\$ 3,256,467	\$ 1,343,820
Prior-period Adjustment	0	(354,674)
Net Position, July 1	(8,819,328)	(5,562,861)
Net Position, June 30	\$ (5,562,861)	\$ (4,573,715)

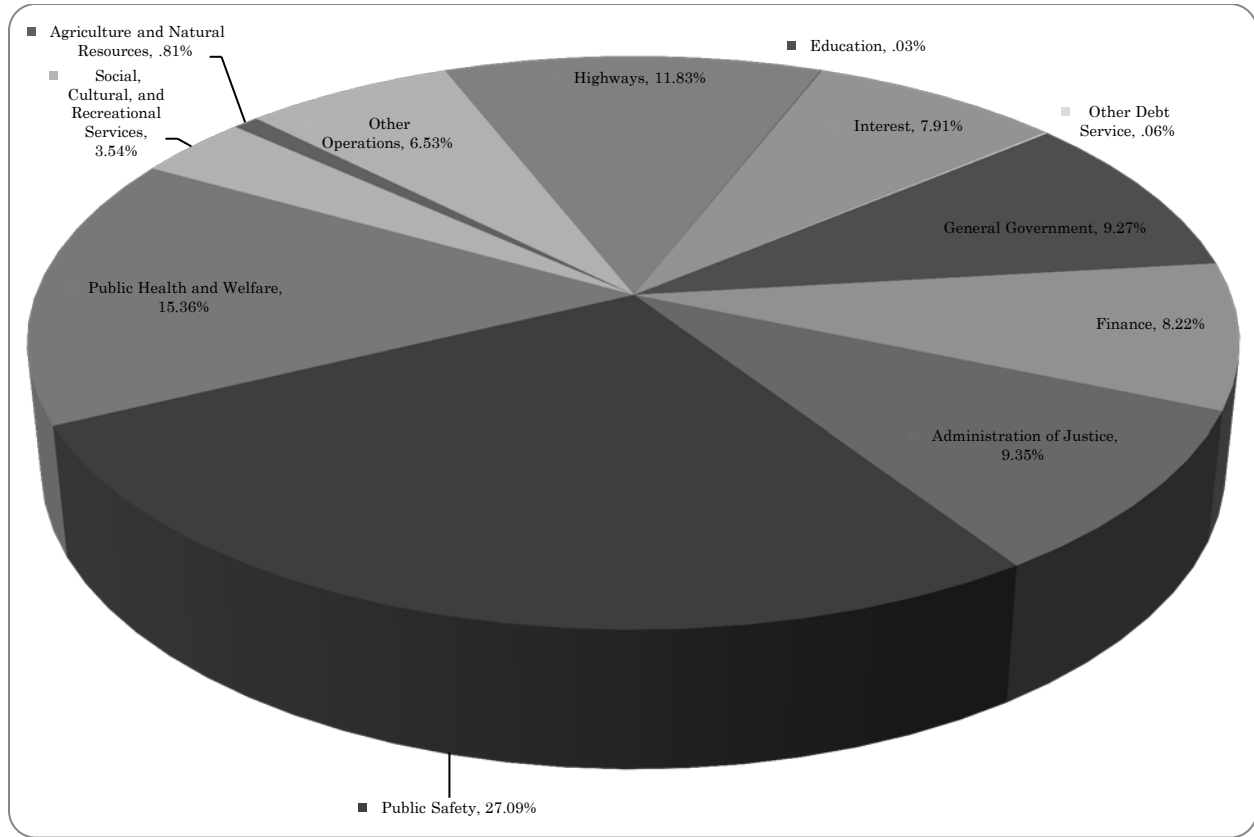
Hamblen County's and the Discretely Presented Hamblen County School Department's Changes in Net Position (Cont.)

	Hamblen County School Department Governmental Activities	
	2012	2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,255,051	\$ 2,055,335
Operating Grants and Contributions	11,421,530	10,046,326
Capital Grants and Contributions	134,388	54,707
General Revenues:		
Property Taxes	13,196,295	13,265,132
Sales Taxes	11,318,560	11,241,951
Other Taxes	717,879	711,971
Grants and Contributions Not Restricted to Specific Programs	41,237,088	43,778,858
Unrestricted Investment Income	3,870	47,877
Miscellaneous	159,288	95,018
Total Revenues	\$ 80,443,949	\$ 81,297,175
Expenses:		
Education	\$ 79,013,946	\$ 84,352,257
Total Expenses	\$ 79,013,946	\$ 84,352,257
Increase (Decrease) in Net Position	\$ 1,430,003	\$ (3,055,082)
Net Position, July 1	59,334,167	60,764,170
Net Position, June 30	\$ 60,764,170	\$ 57,709,088

Governmental Program Expenses

Public Safety expenses of \$6,179,310 and Public Health and Welfare expenses of \$3,502,364 are the largest expenses of Hamblen County, which when combined total \$9,681,674 and are 43 percent of total expenses. Of this amount, \$1,394,666 was recovered by charges for services, \$649,296 from operating grants/contributions, and \$408,119 from capital grants/contributions. For additional details, see illustrations below. Note that amounts are rounded to two decimal places in the following chart.

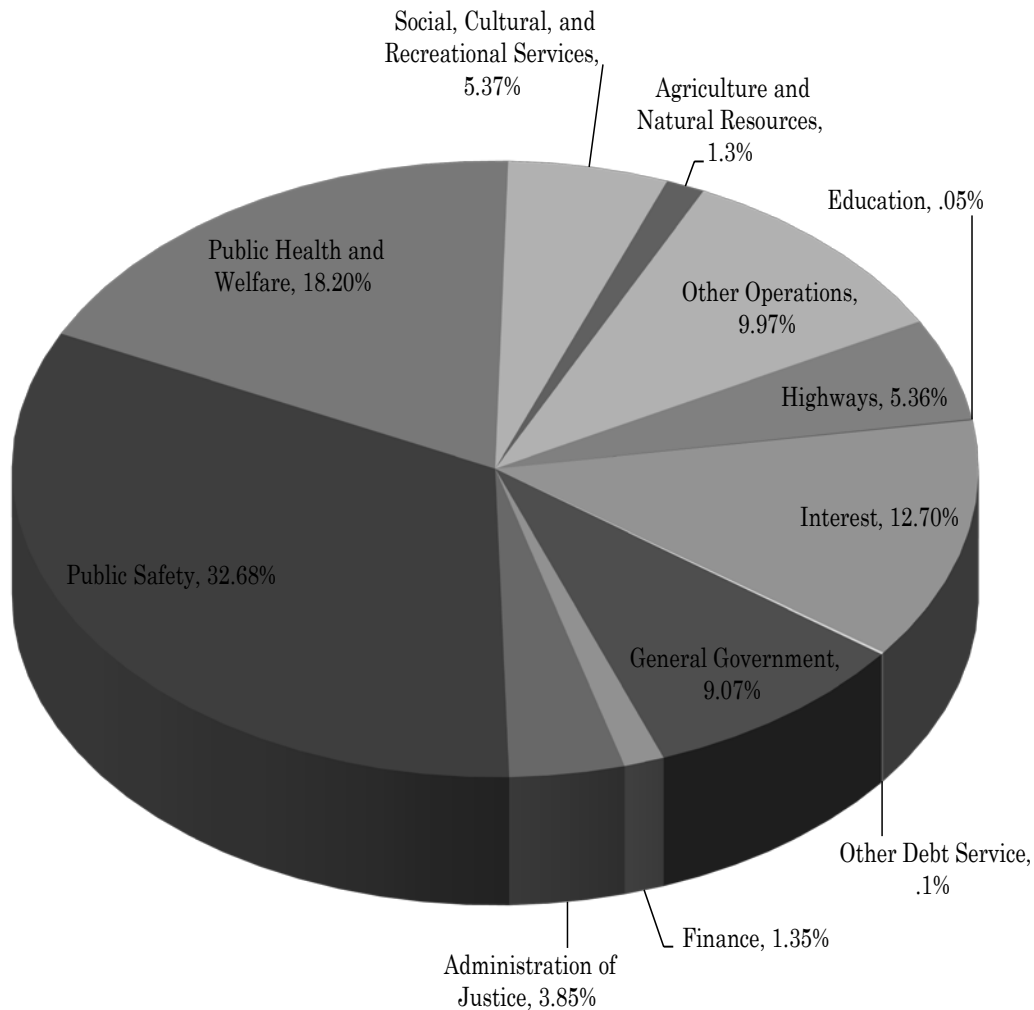
Governmental Program Expenses



Expenses by Governmental Activities

The following illustration shows the “net (expenses)” from Exhibit B as a percentage of the total. Unlike the preceding illustration, this one not only shows the percentage of total costs, it shows the impact the program had on the local citizens’ tax base, as a percentage. Net expense is all program expenses less all program revenues. Note all amounts are recorded to two decimal places in the following chart.

Expenses by Governmental Activities

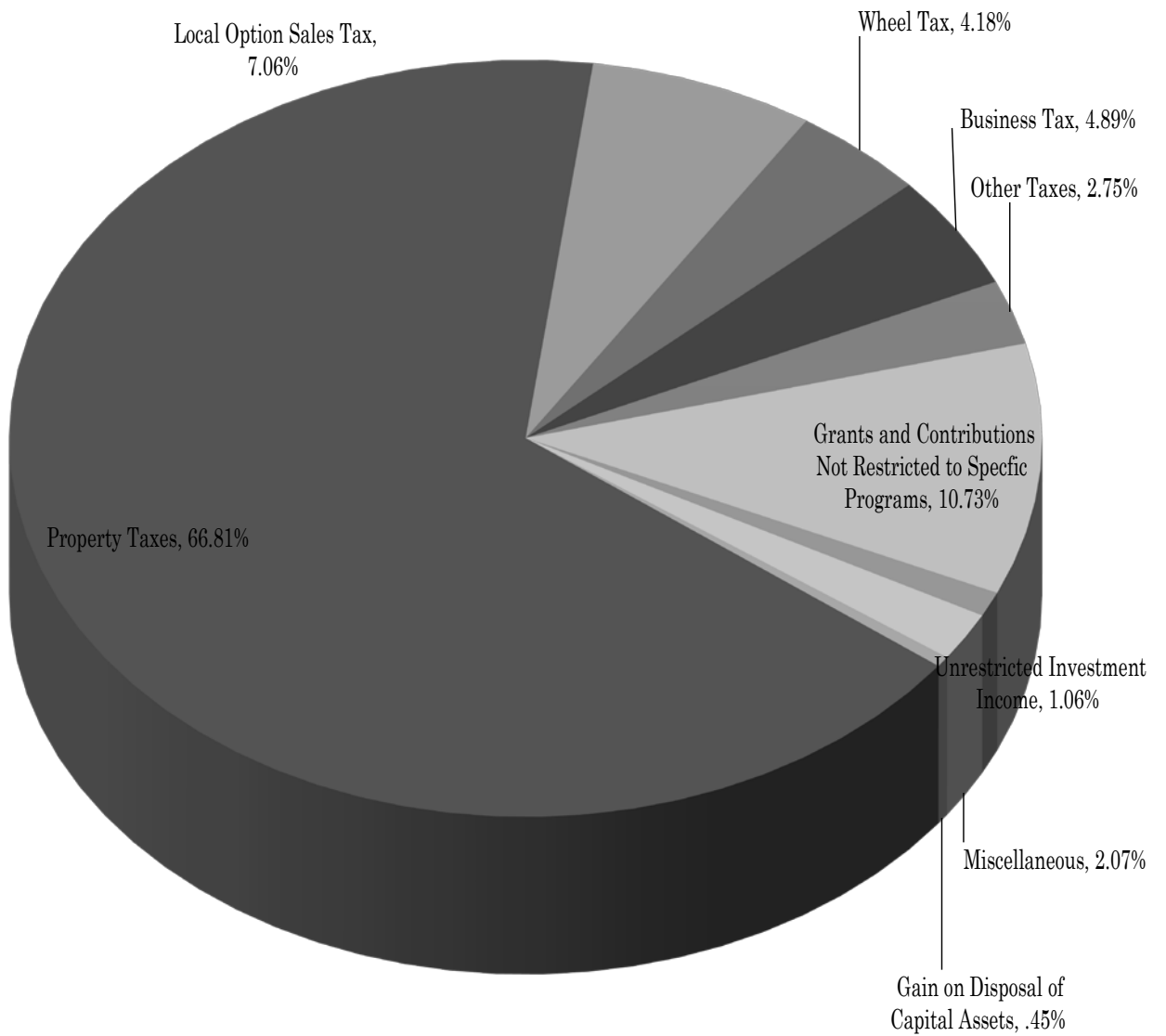


Revenues on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

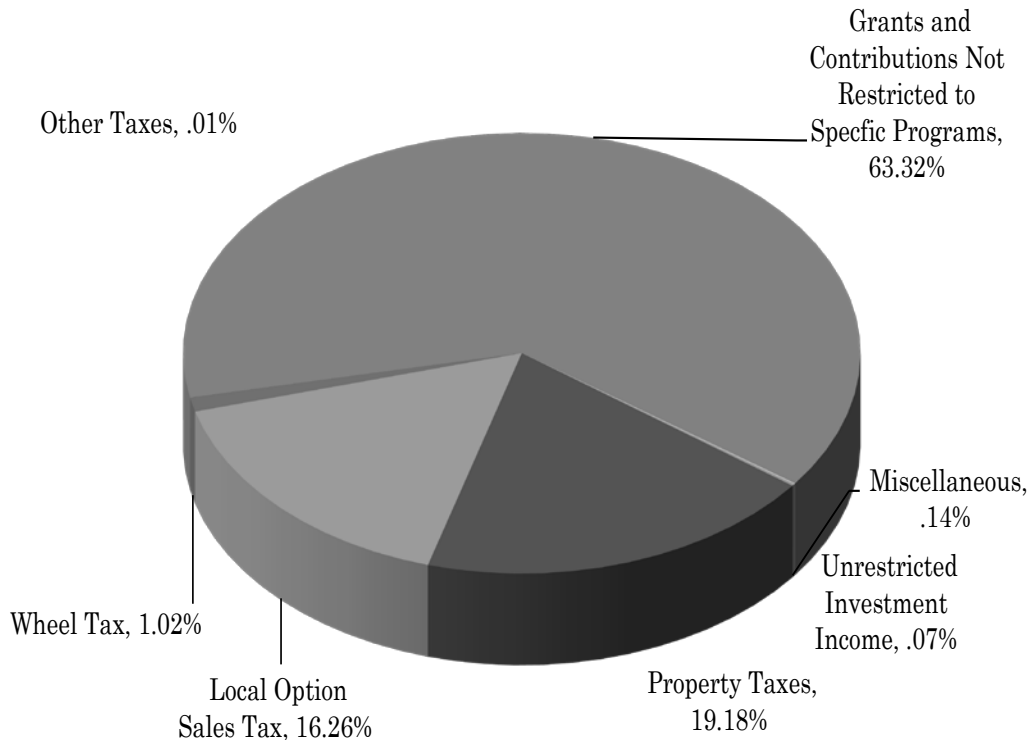
Program revenues are three types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).

General revenues are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are property taxes for the county and grants and contributions not restricted to specific programs for the discretely presented Hamblen County School Department. Note all amounts are rounded to two decimal places in the following charts.

**Primary Government
Revenues by Source – Governmental Activities**



Hamblen County School Department Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Hamblen County and the discretely presented Hamblen County School Department use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of Hamblen County's and the discretely presented Hamblen County School Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Hamblen County's and the discretely presented Hamblen County School Department's financing requirements.

In 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, restricted, committed, assigned, or unassigned.

- **Nonspendable Fund Balance** – The nonspendable fund balance reflected in Hamblen County’s and the discretely presented Hamblen County School Department’s governmental funds totaling \$97,885 and \$152,949, respectively, 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** – The restricted fund balance reflected in Hamblen County’s and the discretely presented Hamblen County School Department’s governmental funds totaling \$5,256,841 and \$3,434,487, respectively, 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** – The committed fund balance reflected in Hamblen County’s and the discretely presented Hamblen County School Department’s governmental funds totaling \$5,288,094 and \$620,670, respectively, 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.
- **Assigned Fund Balance** – The assigned fund balance reflected in Hamblen County’s and the discretely presented Hamblen County School Department’s governmental funds totaling \$1,705,254 and \$9,488,100, respectively, includes amounts that are constrained by the intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission or the finance director is authorized to make assignments.
- **Unassigned Fund Balance** – The unassigned fund balance reflected in Hamblen County’s and the discretely presented Hamblen County School Department’s governmental funds totaling \$4,771,721 and \$4,009,114, respectively, 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. This is the residual classification for the General and General Purpose School funds.

As of the end of the current fiscal year, Hamblen County’s governmental funds reported fund balances totaling \$17,119,795, an increase of \$571,476. The discretely presented Hamblen County School Department’s governmental funds reported fund balances totaling \$17,705,320, a decrease of \$1,866,004. The decrease in the discretely presented Hamblen County School Department’s governmental fund balances is attributed to school construction and renovations.

The General Fund is the chief operating fund of Hamblen County. At the end of the current fiscal year, unassigned fund balance was \$4,771,721, while total fund balance reached \$7,701,557. Total fund balance for the General Fund increased \$1,215,507. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 32.2 percent of total General Fund expenditures, while total fund balance represents 52 percent of that same amount.

The Solid Waste/Sanitation Fund continues to maintain a stable fund balance. In 2003, a deficit of \$205,578 existed and prompted the County Commission to levy a 21-cent tax increase during the 2004 year. The Solid Waste/Sanitation Fund's fund balances totaled \$3,675,769 at June 30, 2013, a decrease of \$61,761 from the previous year.

The General Debt Service Fund had a total fund balance of \$4,791,034 at June 30, 2013, a decrease of \$372,777.

The General Purpose School Fund is the chief operating fund of the discretely presented Hamblen County School Department. At the end of the current fiscal year, unassigned fund balance was \$4,009,114, while total fund balance decreased to \$14,014,312. Total fund balance for the General Purpose School Fund decreased \$1,494,536. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 5.6 percent of total General Purpose School Fund expenditures, while total fund balance represents 19.7 percent of that same amount.

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

During the fiscal year, appropriations from the original budget were increased. These differences are summarized in the following table:

	Original	Amended	Increase (Decrease)
Appropriations:			
General Government	\$ 2,131,917	\$ 2,145,722	\$ 13,805
Finance	1,911,800	1,892,231	(19,569)
Administration of Justice	1,889,056	1,937,380	48,324
Public Safety	6,019,447	6,204,664	185,217
Public Health and Welfare	920,342	920,342	0
Social, Cultural, and Recreational Services	831,426	818,771	(12,655)
Agriculture and Natural Resources	199,898	199,898	0
Other Operations	1,659,145	1,722,417	63,272
Education	7,000	7,000	0
Capital Projects	364,500	532,420	167,920
Total Appropriations	<u>\$ 15,934,531</u>	<u>\$ 16,380,845</u>	<u>\$ 446,314</u>

The increase in Administration of Justice was due to additional costs related to court collections program for the serving of process.

The increase in Public Safety was due to inmate medical costs, maintenance and repairs to the jail, and food supplies needed to manage the increasing inmate population in an aging facility. Hamblen County began strategically and methodically reviewing its options to address the numerous challenges presented in the operation and maintenance of its aging jail facility with a major overcrowding issue.

The increase in Capital Projects is attributed to updating the emergency communications systems due to the federally mandatory narrowbanding that became effective January 1, 2013. Additional increases in appropriations totaling \$111,820 to Capital Projects were necessary to address the jail facility previously mentioned.

At the close of the fiscal year, actual expenditures were \$1,569,079 less than budgetary estimates. This is attributed to the conservative management of elected officials and department heads and better than anticipated health insurance premiums because of an employee health clinic.

Discretely Presented Hamblen County School Department – General Purpose Fund Budgetary Highlights

The differences in the original and the final budget's appropriations increased by \$1,109,117 compared to the original budget of \$72,217,324. The majority of the increased appropriations were funded by an increase in estimated revenues. At the close of the fiscal year, actual expenditures were \$3,186,889 less than budgetary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Hamblen County's investment in capital assets, net of accumulated depreciation, as of June 30, 2013, totaled \$20,251,038. This investment in capital assets includes land, buildings and improvements, other capital assets (includes vehicle and equipment), and infrastructure (includes roads, highways, and bridges).

Asset	Historical Value	Accumulated Depreciation	Net Value 6-30-13
Land	\$ 420,779	\$ 0	\$ 420,779
Construction in Progress	50,327	0	50,327
Buildings and Improvements	10,931,648	(3,864,245)	7,067,403
Other Capital Assets	5,939,208	(4,046,218)	1,892,990
Infrastructure	16,954,011	(6,134,472)	10,819,539
Total	<u>\$ 34,295,973</u>	<u>\$ (14,044,935)</u>	<u>\$ 20,251,038</u>

The discretely presented Hamblen County School Department's investment in capital assets, net of accumulated depreciation, as of June 30, 2013, totaled \$51,777,840. This investment in capital assets includes land, buildings and improvements, and other capital assets (includes vehicle and equipment).

Asset	Historical Value	Accumulated Depreciation	Net Value 6-30-13
Land	\$ 2,999,016	\$ 0	\$ 2,999,016
Construction in Progress	2,393,845	0	2,393,845
Buildings and Improvements	132,179,526	(90,850,652)	41,328,874
Other Capital Assets	13,652,580	(8,596,475)	5,056,105
Total	<u>\$ 151,224,967</u>	<u>\$ (99,447,127)</u>	<u>\$ 51,777,840</u>

Additional details about Hamblen County's and the discretely presented Hamblen County School Department's capital assets can be found in the notes to the financial statements Note IV.C. A table of contents has been provided with the specific page number.

Long-term Debt

At the end of the current fiscal year, Hamblen County had long-term debt obligations outstanding of \$39,500,747. This is a decrease of \$3,628,854 in long-term debt from the previous fiscal year. All of this debt is backed by the full faith and credit of the county. Hamblen County maintains a rating of "Aa3" from Moody's and "A+" from Standard and Poor's for general obligation debt. The county did not have any capital outlay notes outstanding at June 30, 2013. Additional information on Hamblen County Government's long-term debt can be found in Exhibit J-1, Exhibit J-2, Note IV.B, and Note IV.F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On June 20, 2013, Hamblen County adopted a budget for the fiscal year ending June 30, 2014. Many factors were considered when adopting this budget: the unemployment rate, area road construction affecting major shopping area, limited interest earnings, and current housing market. These factors affect two of Hamblen County's more significant revenues, property and sales taxes.

The property tax rate for tax year 2013 was adopted at the same rate as the 2012 tax year. The distribution of the 2013 property tax rate is shown below:

Fund	Inside	Outside
General	\$ 0.46	\$ 0.46
Solid Waste/Sanitation	0.00	0.21
General Purpose School	0.89	0.89
General Debt Service	<u>0.29</u>	<u>0.29</u>
Total	<u>\$ 1.64</u>	<u>\$ 1.85</u>

The unemployment rate for the county as of June 30, 2013, was ten percent, which remains relatively unchanged compared to 10.1 percent a year ago. The state's average unemployment rate as of June 30, 2013, was 8.5 percent and the national average was 7.6 percent.

REQUEST FOR INFORMATION

This report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Hamblen County Government, 511 West Second North Street, Morristown, Tennessee 37814.

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Hamblen County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 89,760	\$ 0	\$ 1,644,108
Equity in Pooled Cash and Investments	16,583,968	16,512,189	0
Inventories	0	152,949	0
Accounts Receivable	207,640	118,723	58,820
Due from Other Governments	1,343,485	2,444,236	0
Due from Component Units	26,673	0	0
Property Taxes Receivable	12,628,393	13,510,615	0
Allowance for Uncollectible Property Taxes	(401,995)	(431,933)	0
Prepaid Items	97,885	0	0
Unamortized Discount on Debt	130,814	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	420,779	2,999,016	0
Construction in Progress	50,327	2,393,845	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	7,067,403	41,328,874	243,229
Other Capital Assets	1,892,990	5,056,105	542,471
Infrastructure	10,819,539	0	0
Total Assets	<u>\$ 50,957,661</u>	<u>\$ 84,084,619</u>	<u>\$ 2,488,628</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 172,145	\$ 0	\$ 0
Deferred Charge on Refunding	376,238	0	0
Total Deferred Outflows of Resources	<u>\$ 548,383</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 368,683	\$ 349,927	\$ 8,042
Accrued Payroll	293,709	0	0
Accrued Interest Payable	124,742	0	0
Payroll Deductions Payable	53,139	183,905	2,206
Contracts Payable	0	64,527	0
Retainage Payable	6,056	0	0
Due to Primary Government	0	26,673	0
Derivative - Interest Rate Swap	2,520,650	0	0
Noncurrent Liabilities:			
Due Within One Year	3,768,854	342,047	5,719
Due in More Than One Year (net of unamortized premium on debt)	36,648,695	12,724,470	17,158
Total Liabilities	<u>\$ 43,784,528</u>	<u>\$ 13,691,549</u>	<u>\$ 33,125</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Hamblen County School Department	Emergency Communica- tions District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Accumulated Increase in Fair Value of Hedging Derivatives	\$ 434,440	\$ 0	\$ 0
Deferred Current Property Taxes	11,860,791	12,683,982	0
Total Deferred Inflows of Resources	<u>\$ 12,295,231</u>	<u>\$ 12,683,982</u>	<u>\$ 0</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 16,321,771	\$ 0	\$ 0
Investment in Capital Assets	0	51,777,840	785,700
Restricted for:			
General Government	13,080	0	0
Finance	64,943	0	0
Administration of Justice	92,384	0	0
Public Safety	70,118	0	0
Public Health and Welfare	288,152	0	0
Other Operations	38,485	0	0
Highway/Public Works	655,161	0	0
Debt Service	4,076,567	0	0
Capital Projects	141,537	4,115	0
Education	0	3,583,321	0
Unrestricted	<u>(26,335,913)</u>	<u>2,343,812</u>	<u>1,669,803</u>
Total Net Position	<u>\$ (4,573,715)</u>	<u>\$ 57,709,088</u>	<u>\$ 2,455,503</u>

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

Exhibit B

Hamblen County, Tennessee
Statement of Activities
For the Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position															
Functions/Programs	Primary					Component Units									
	Program Revenues					Government		Hamblen							
	Operating		Capital		Total	County School Department	Emergency Communications District								
	Charges for Services	Grants and Contributions	Grants and Contributions	Activities											
Primary Government:															
Governmental Activities:															
General Government	\$	2,113,797	\$	805,740	\$	20,164	\$	0	\$	(1,287,893)	\$	0	\$	0	0
Finance		1,873,791		1,681,979		0		0		(191,812)		0		0	0
Administration of Justice		2,131,566		1,516,316		68,490		0		(546,760)		0		0	0
Public Safety		6,179,310		1,372,296		163,654		0		(4,643,360)		0		0	0
Public Health and Welfare		3,502,364		22,370		485,642		408,119		(2,586,233)		0		0	0
Social, Cultural, and Recreational Services		807,104		44,304		0		0		(762,800)		0		0	0
Agriculture and Natural Resources		184,843		0		0		0		(184,843)		0		0	0
Other Operations		1,488,985		73,215		0		0		(1,415,770)		0		0	0
Highways		2,699,127		1,470		1,636,832		298,717		(762,108)		0		0	0
Education		6,786		0		0		0		(6,786)		0		0	0
Interest on Long-term Debt		1,804,580		0		0		0		(1,804,580)		0		0	0
Debt Service		14,309		0		0		0		(14,309)		0		0	0
Total Primary Government	\$	22,806,562	\$	5,517,690	\$	2,374,782	\$	706,836	\$	(14,207,254)	\$	0	\$	0	0
Component Units:															
Hamblen County School Department	\$	84,352,257	\$	2,055,335	\$	10,046,326	\$	54,707	\$	0	\$	(72,195,889)	\$	0	0
Emergency Communications District		1,215,827		730,719		0		0		0		0		(485,108)	
Total Component Units	\$	85,568,084	\$	2,786,054	\$	10,046,326	\$	54,707	\$	0	\$	(72,195,889)	\$	(485,108)	(485,108)

(Continued)

Exhibit B

Hamblen County, Tennessee
Statement of Activities (Cont.)

Net (Expense) Revenue and Changes in Net Position						
Functions/Programs	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		
				Government Total	Hamblen County School Department	Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 6,799,545	\$ 13,265,132	\$ 0
Property Taxes Levied for Public Health and Welfare Purposes				1,203,068	0	0
Property Taxes Levied for Debt Purposes				4,247,089	0	0
Local Option Sales Taxes				1,295,049	11,241,951	0
Hotel/Motel Tax				8,116	0	0
Wheel Tax				765,788	706,881	0
Litigation Tax - General				139,179	0	0
Litigation Tax - Special Purpose				60,363	0	0
Litigation Tax - Jail/Workroom/Courthouse				50,659	0	0
Litigation Tax - Courtroom Security				55,075	0	0
Business Tax				896,478	0	0
Mineral Severance Tax				57,808	0	0
Wholesale Beer Tax				130,197	0	0
Interstate Telecommunications Tax				2,960	5,090	0
Grants and Contributions Not Restricted to Specific Programs				1,967,774	43,778,858	865,668
Unrestricted Investment Income				193,546	47,877	1,505
Miscellaneous				379,029	95,018	60,498
Gain on Disposal of Capital Assets				82,296	0	0
Total General Revenues				\$ 18,334,019	\$ 69,140,807	\$ 927,671
Change in Fair Value of Derivatives - Interest Rate Swap				\$ (2,782,945)	\$ 0	\$ 0
Change in Net Position				\$ 1,343,820	\$ (3,055,082)	\$ 442,563
Net Position, July 1, 2012				(5,562,861)	60,764,170	2,012,940
Prior-period Adjustment				(354,674)	0	0
Net Position, June 30, 2013				\$ (4,573,715)	\$ 57,709,088	\$ 2,455,503

Accounting Change - See Note V.B.

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

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Solid Waste / Sanitation	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 89,760	\$ 89,760
Equity in Pooled Cash and Investments	7,417,192	3,269,863	5,112,927	783,986	16,583,968
Accounts Receivable	169,356	16,633	0	21,651	207,640
Due from Other Governments	788,101	239,995	0	315,389	1,343,485
Due from Other Funds	33,079	395,681	0	0	428,760
Due from Component Units	26,673	0	0	0	26,673
Property Taxes Receivable	6,983,014	1,243,044	4,402,335	0	12,628,393
Allowance for Uncollectible Property Taxes	(223,247)	(38,006)	(140,742)	0	(401,995)
Prepaid Items	27,655	0	70,230	0	97,885
Total Assets	<u>\$ 15,221,823</u>	<u>\$ 5,127,210</u>	<u>\$ 9,444,750</u>	<u>\$ 1,210,786</u>	<u>\$ 31,004,569</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 216,928	\$ 100,411	\$ 640	\$ 50,704	\$ 368,683
Accrued Payroll	242,775	22,572	0	28,362	293,709
Payroll Deductions Payable	43,804	4,312	0	5,023	53,139
Retainage Payable	0	0	0	6,056	6,056
Due to Other Funds	0	0	404,372	24,388	428,760
Total Liabilities	<u>\$ 503,507</u>	<u>\$ 127,295</u>	<u>\$ 405,012</u>	<u>\$ 114,533</u>	<u>\$ 1,150,347</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 6,555,766	\$ 1,172,042	\$ 4,132,983	\$ 0	\$ 11,860,791
Deferred Delinquent Property Taxes	183,557	29,657	115,721	0	328,935
Other Deferred/Unavailable Revenue	277,436	122,447	0	144,818	544,701
Total Deferred Inflows of Resources	<u>\$ 7,016,759</u>	<u>\$ 1,324,146</u>	<u>\$ 4,248,704</u>	<u>\$ 144,818</u>	<u>\$ 12,734,427</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Prepaid Items	\$ 27,655	\$ 0	\$ 70,230	\$ 0	\$ 97,885
Restricted:					
Restricted for General Government	13,080	0	0	0	13,080
Restricted for Finance	11,510	0	0	53,433	64,943
Restricted for Administration of Justice	54,238	0	0	33,646	87,884
Restricted for Public Safety	5,459	0	0	64,659	70,118
Restricted for Public Health and Welfare	75,092	174,770	0	0	249,862
Restricted for Other Operations	33,485	0	0	0	33,485
Restricted for Highways/Public Works	0	0	0	510,344	510,344
Restricted for Debt Service	0	0	4,085,588	0	4,085,588
Restricted for Capital Projects	0	0	0	141,537	141,537
Committed:					
Committed for Public Safety	31,419	0	0	0	31,419
Committed for Public Health and Welfare	84,067	3,500,999	0	0	3,585,066
Committed for Debt Service	0	0	635,216	0	635,216
Committed for Capital Projects	888,577	0	0	147,816	1,036,393
Assigned:					
Assigned for General Government	101,510	0	0	0	101,510
Assigned for Finance	182,428	0	0	0	182,428
Assigned for Administration of Justice	18,837	0	0	0	18,837
Assigned for Public Safety	23,570	0	0	0	23,570
Assigned for Social, Cultural, and Recreational Services	60	0	0	0	60
Assigned for Other Operations	100,000	0	0	0	100,000
Assigned for Other Purposes	1,278,849	0	0	0	1,278,849
Unassigned	4,771,721	0	0	0	4,771,721
Total Fund Balances	<u>\$ 7,701,557</u>	<u>\$ 3,675,769</u>	<u>\$ 4,791,034</u>	<u>\$ 951,435</u>	<u>\$ 17,119,795</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,221,823</u>	<u>\$ 5,127,210</u>	<u>\$ 9,444,750</u>	<u>\$ 1,210,786</u>	<u>\$ 31,004,569</u>

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 17,119,795
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 420,779	
Add: construction in progress	50,327	
Add: infrastructure net of accumulated depreciation	10,819,539	
Add: buildings and improvements net of accumulated depreciation	7,067,403	
Add: other capital assets net of accumulated depreciation	<u>1,892,990</u>	20,251,038
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	\$(28,240,747)	
Less: bonds payable	(11,260,000)	
Less: other postemployment benefits liability	(336,393)	
Add: deferred amount on refunding	376,238	
Add: unamortized discount on debt	130,814	
Less: fair value of investment-type derivative - interest rate swap	(2,782,945)	
Less: accrued interest on bonds and other loans payable	(124,742)	
Less: other deferred revenue - premium on debt	<u>(580,409)</u>	(42,818,184)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>873,636</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ (4,573,715)</u></u>

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

Exhibit C-3

Hamblen County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 9,096,063	\$ 2,410,656	\$ 4,388,418	\$ 57,808	\$ 15,952,945
Licenses and Permits	434,222	1,821	0	0	436,043
Fines, Forfeitures, and Penalties	269,159	0	50,926	50,338	370,423
Charges for Current Services	521,476	0	0	464,509	985,985
Other Local Revenues	112,419	16,518	680,224	81,524	890,685
Fees Received from County Officials	2,652,414	0	0	0	2,652,414
State of Tennessee	2,642,094	18,586	0	2,406,448	5,067,128
Federal Government	95,173	0	0	415,281	510,454
Other Governments and Citizens Groups	158,078	0	0	21,714	179,792
Total Revenues	\$ 15,981,098	\$ 2,447,581	\$ 5,119,568	\$ 3,497,622	\$ 27,045,869
<u>Expenditures</u>					
Current:					
General Government	\$ 1,938,093	\$ 0	\$ 0	\$ 50	\$ 1,938,143
Finance	1,654,241	0	0	242,854	1,897,095
Administration of Justice	1,716,425	0	0	247,762	1,964,187
Public Safety	5,734,401	0	0	103,139	5,837,540
Public Health and Welfare	783,103	2,510,689	0	0	3,293,792
Social, Cultural, and Recreational Services	768,941	0	0	0	768,941
Agriculture and Natural Resources	184,843	0	0	0	184,843
Other Operations	1,488,985	0	0	0	1,488,985
Highways	0	0	0	2,238,185	2,238,185
Operation of Non-Instructional Services	6,750	0	0	0	6,750
Debt Service:					
Principal on Debt	0	0	3,628,854	0	3,628,854
Interest on Debt	0	0	1,763,448	0	1,763,448
Other Debt Service	0	0	100,043	0	100,043
Capital Projects	498,282	0	0	905,389	1,403,671
Total Expenditures	\$ 14,774,064	\$ 2,510,689	\$ 5,492,345	\$ 3,737,379	\$ 26,514,477
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,207,034	\$ (63,108)	\$ (372,777)	\$ (239,757)	\$ 531,392
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 33,473	\$ 1,347	\$ 0	\$ 5,264	\$ 40,084
Transfers In	0	0	0	25,000	25,000
Transfers Out	(25,000)	0	0	0	(25,000)
Total Other Financing Sources (Uses)	\$ 8,473	\$ 1,347	\$ 0	\$ 30,264	\$ 40,084
Net Change in Fund Balances	\$ 1,215,507	\$ (61,761)	\$ (372,777)	\$ (209,493)	\$ 571,476
Fund Balance, July 1, 2012	6,486,050	3,737,530	5,163,811	1,160,928	16,548,319
Fund Balance, June 30, 2013	\$ 7,701,557	\$ 3,675,769	\$ 4,791,034	\$ 951,435	\$ 17,119,795

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

Exhibit C-4

Hamblen County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	571,476
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,134,298	
Less: current-year depreciation expense		(1,016,531)	117,767
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: book value of capital assets disposed			(4,687)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	873,636	
Less: deferred delinquent property taxes and other deferred June 30, 2012		(1,021,575)	(147,939)
(4) The issuance of long-term debt (e.g., notes, other loans) 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: change in premium on debt issuances	\$	102,939	
Less: change in debt discounts		(17,205)	
Add: principal payments on other loans		3,258,854	
Add: principal payments on bonds		370,000	
Less: termination of hedge relationship - interest rate swap		(2,782,945)	
Less: change in deferred amount on refunding debt		(48,785)	882,858
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	7,653	
Change in other postemployment benefits liability		(83,308)	(75,655)
Change in net position of governmental activities (Exhibit B)		\$	<u>1,343,820</u>

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

Exhibit C-5

Hamblen County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2012	Encumbrances 6/30/2013			Original	Final	
Revenues								
Local Taxes	\$ 9,096,063	\$ 0	\$ 0	\$ 0	\$ 9,096,063	\$ 8,880,036	\$ 9,000,508	\$ 95,555
Licenses and Permits	434,222	0	0	0	434,222	385,000	410,000	24,222
Fines, Forfeitures, and Penalties	269,159	0	0	0	269,159	271,250	271,250	(2,091)
Charges for Current Services	521,476	0	0	0	521,476	539,795	640,895	(119,419)
Other Local Revenues	112,419	0	0	0	112,419	122,260	129,260	(16,841)
Fees Received from County Officials	2,652,414	0	0	0	2,652,414	2,508,000	2,567,400	85,014
State of Tennessee	2,642,094	0	0	0	2,642,094	2,330,723	2,296,823	345,271
Federal Government	95,173	0	0	0	95,173	82,200	102,917	(7,744)
Other Governments and Citizens Groups	158,078	0	0	0	158,078	128,948	129,448	28,630
Total Revenues	\$ 15,981,098	\$ 0	\$ 0	\$ 0	\$ 15,981,098	\$ 15,248,212	\$ 15,548,501	\$ 432,597
Expenditures								
General Government								
County Commission	\$ 180,179	\$ 0	\$ 0	\$ 0	\$ 180,179	\$ 190,806	\$ 190,806	\$ 10,627
Board of Equalization	2,785	0	0	0	2,785	7,200	7,200	4,415
County Mayor/Executive	185,986	0	0	0	185,986	201,121	201,121	15,135
County Attorney	26,614	0	0	0	26,614	71,293	34,293	7,679
Election Commission	263,534	0	0	0	263,534	300,390	300,390	36,856
Register of Deeds	241,934	0	0	0	241,934	280,357	280,357	38,423
Planning	244,231	(524)	6,141	0	249,848	262,158	262,158	12,310
Geographical Information Systems	29,500	0	0	0	29,500	30,000	30,000	500
Other Facilities	731,967	(12,823)	3,325	0	722,469	768,783	806,588	84,119
Preservation of Records	31,363	(1,352)	1,550	0	31,561	19,809	32,809	1,248
Finance								
Accounting and Budgeting	188,284	0	25	0	188,309	192,795	193,795	5,486
Purchasing	58,480	0	0	0	58,480	106,019	77,595	19,115
Property Assessor's Office	354,680	0	0	0	354,680	373,320	373,320	18,640
Reappraisal Program	119,131	0	0	0	119,131	136,511	136,511	17,380
County Trustee's Office	64,127	(1,225)	0	0	62,902	73,795	73,795	10,893

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 579,855	\$ (2,137)	0	\$ 577,718	\$ 683,243	\$ 691,098	\$ 113,380
Data Processing	59,040	0	15,419	74,459	89,458	89,458	14,999
Other Finance	230,644	0	0	230,644	256,659	256,659	26,015
<u>Administration of Justice</u>							
Circuit Court	646,944	(189)	1,642	648,397	714,007	743,437	95,040
General Sessions Court	286,203	(50)	0	286,153	299,603	299,603	13,450
Drug Court	106,423	(11,500)	60	94,983	118,275	118,275	23,292
Chancery Court	67,314	(55)	565	67,824	80,311	80,311	12,487
Juvenile Court	379,962	(2,006)	16,470	394,426	436,662	448,056	53,630
Courtroom Security	229,579	(600)	100	229,079	240,198	247,698	18,619
<u>Public Safety</u>							
Sheriff's Department	2,430,920	(7,254)	9,512	2,433,178	2,732,517	2,740,017	306,839
Administration of the Sexual Offender Registry	2,813	0	0	2,813	3,200	3,200	387
Jail	2,643,373	(309)	1,820	2,644,884	2,587,000	2,737,000	92,116
Workhouse	67,477	0	0	67,477	78,652	78,652	11,175
Work Release Program	96,275	0	0	96,275	122,993	122,993	26,718
Fire Prevention and Control	180,000	0	0	180,000	180,000	180,000	0
Civil Defense	69,874	0	0	69,874	82,349	82,349	12,475
Other Emergency Management	146,648	0	0	146,648	141,436	147,153	505
Inspection and Regulation	6,216	0	0	6,216	8,600	8,600	2,384
County Coroner/Medical Examiner	90,805	0	0	90,805	82,700	104,700	13,895
<u>Public Health and Welfare</u>							
Local Health Center	456,103	0	0	456,103	578,600	578,600	122,497
Rabies and Animal Control	133,500	0	0	133,500	133,500	133,500	0
Nursing Home	2,000	0	0	2,000	2,000	2,000	0
Alcohol and Drug Programs	5,000	0	0	5,000	5,000	5,000	0
Crippled Children Services	6,242	0	0	6,242	6,242	6,242	0
Appropriation to State	110,500	0	0	110,500	110,500	110,500	0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2012	Encumbrances	6/30/2013		Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Public Health and Welfare (Cont.)</u>								
Aid to Dependent Children	\$	8,000	\$	0	\$	8,000	\$	0
Child Support		14,903	0	0	14,903	15,000	15,000	97
Other Local Welfare Services		30,355	0	0	30,355	45,000	45,000	14,645
Sanitation Management		15,000	0	0	15,000	15,000	15,000	0
Other Public Health and Welfare		1,500	0	0	1,500	1,500	1,500	0
<u>Social, Cultural, and Recreational Services</u>								
Adult Activities		11,600	0	0	11,600	11,600	11,600	0
Senior Citizens Assistance		6,500	0	0	6,500	6,500	6,500	0
Libraries		257,000	0	0	257,000	257,000	257,000	0
Parks and Fair Boards		208,504	0	60	208,564	254,726	242,071	33,507
Other Social, Cultural, and Recreational		285,337	0	0	285,337	301,600	301,600	16,263
<u>Agriculture and Natural Resources</u>								
Agriculture Extension Service		134,745	0	0	134,745	135,067	135,067	322
Forest Service		1,000	0	0	1,000	1,000	1,000	0
Soil Conservation		40,443	0	0	40,443	41,831	41,831	1,388
Storm Water Management		8,655	0	0	8,655	22,000	22,000	13,345
<u>Other Operations</u>								
Tourism		185,928	(9,644)	33,485	209,769	146,591	247,691	37,922
Industrial Development		96,226	0	0	96,226	130,679	101,151	4,925
Public Transportation		27,720	0	0	27,720	35,000	35,000	7,280
Veterans' Services		14,802	0	0	14,802	15,462	15,462	660
Employee Benefits		646,297	0	0	646,297	779,801	771,501	125,204
Miscellaneous		518,012	(75)	0	517,937	551,612	551,612	33,675
<u>Operation of Non-Instructional Services</u>								
Community Services		6,750	0	0	6,750	7,000	7,000	250
<u>Capital Projects</u>								
General Administration Projects		0	0	4,000	4,000	10,000	4,000	0
Administration of Justice Projects		9,295	(10,259)	964	0	0	100	100

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<u>Expenditures (Cont.)</u>							
<u>Capital Projects (Cont.)</u>							
Public Safety Projects	\$ 488,987	\$ (28,853)	\$ 31,419	\$ 491,553	\$ 324,500	\$ 528,320	\$ 36,767
Public Health and Welfare Projects	0	0	0	0	30,000	0	0
Total Expenditures	\$ 14,774,064	\$ (88,855)	\$ 126,557	\$ 14,811,766	\$ 15,934,531	\$ 16,380,845	\$ 1,569,079
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 1,207,034	\$ 88,855	\$ (126,557)	\$ 1,169,332	\$ (686,319)	\$ (832,344)	\$ 2,001,676
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 33,473	0	0	\$ 33,473	0	\$ 33,473	0
Transfers Out	(25,000)	0	0	(25,000)	0	(25,000)	0
Total Other Financing Sources	\$ 8,473	0	0	\$ 8,473	0	\$ 8,473	0
Net Change in Fund Balance	\$ 1,215,507	\$ 88,855	\$ (126,557)	\$ 1,177,805	\$ (686,319)	\$ (823,871)	\$ 2,001,676
Fund Balance, July 1, 2012	6,486,050	(88,855)	0	6,397,195	6,064,775	6,064,775	332,420
Fund Balance, June 30, 2013	\$ 7,701,557	0	\$ (126,557)	\$ 7,575,000	\$ 5,378,456	\$ 5,240,904	\$ 2,334,096

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

Exhibit C-6

Hamblen County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,410,656	\$ 0	\$ 2,410,656	\$ 1,937,436	\$ 2,285,436	\$ 125,220
Licenses and Permits	1,821	0	1,821	1,500	1,500	321
Other Local Revenues	16,518	0	16,518	25,000	9,272	7,246
State of Tennessee	18,586	0	18,586	18,000	18,000	586
Total Revenues	\$ 2,447,581	\$ 0	\$ 2,447,581	\$ 1,981,936	\$ 2,314,208	\$ 133,373
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 2,510,689	\$ (142,267)	\$ 2,368,422	\$ 2,598,393	\$ 2,635,043	\$ 266,621
Total Expenditures	\$ 2,510,689	\$ (142,267)	\$ 2,368,422	\$ 2,598,393	\$ 2,635,043	\$ 266,621
Excess (Deficiency) of Revenues Over Expenditures	\$ (63,108)	\$ 142,267	\$ 79,159	\$ (616,457)	\$ (320,835)	\$ 399,994
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 1,347	\$ 0	\$ 1,347	\$ 0	\$ 0	\$ 1,347
Total Other Financing Sources	\$ 1,347	\$ 0	\$ 1,347	\$ 0	\$ 0	\$ 1,347
Net Change in Fund Balance	\$ (61,761)	\$ 142,267	\$ 80,506	\$ (616,457)	\$ (320,835)	\$ 401,341
Fund Balance, July 1, 2012	3,737,530	(142,267)	3,595,263	3,490,910	3,490,910	104,353
Fund Balance, June 30, 2013	\$ 3,675,769	\$ 0	\$ 3,675,769	\$ 2,874,453	\$ 3,170,075	\$ 505,694

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

Exhibit D-1

Hamblen County, Tennessee
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Other Employee Benefit Trust Fund	Agency Funds
	Employee Benefit Trust Fund	
<u>ASSETS</u>		
Cash	\$ 0	\$ 1,701,310
Equity in Pooled Cash and Investments	5,699	300
Accounts Receivable	0	265
Due from Other Governments	0	1,639,504
Total Assets	\$ 5,699	\$ 3,341,379
<u>LIABILITIES</u>		
Due to Other Taxing Units	\$ 0	\$ 1,639,804
Due to Litigants, Heirs, and Others	0	1,701,575
Total Liabilities	\$ 0	\$ 3,341,379
<u>NET POSITION</u>		
Net Position Held in Trust for Employees	\$ 5,699	
Net Position	\$ 5,699	

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

Exhibit D-2

Hamblen County, Tennessee
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2013

	Other Employee Benefit Trust Fund
	<u>Employee Benefit Trust Fund</u>
<u>ADDITIONS</u>	
Plan Member Contributions	\$ 22,692
Total Additions	<u>\$ 22,692</u>
<u>DEDUCTIONS</u>	
Employee Benefits:	
Other Fringe Benefits	\$ 22,352
Total Deductions	<u>\$ 22,352</u>
Change in Net Position	\$ 340
Net Position, July 1, 2012	<u>5,359</u>
Net Position, June 30, 2013	<u>\$ 5,699</u>

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

HAMBLEN COUNTY, TENNESSEE

Index of Notes to Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	48
B. Government-wide and Fund Financial Statements	49
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	50
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	52
2. Receivables and Payables	53
3. Inventories and Prepaid Items	54
4. Capital Assets	54
5. Deferred Outflows/Inflows of Resources	55
6. Compensated Absences	55
7. Long-term Obligations	56
8. Net Position and Fund Balance	56
9. Prior-period Adjustment	58
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	58
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	58
III. Stewardship, Compliance, and Accountability	
Budgetary Information	59
IV. Detailed Notes on All Funds	
A. Deposits and Investments	60
B. Derivative Instruments	62
C. Capital Assets	67
D. Construction Commitments	69
E. Interfund Receivables, Payables, and Transfers	69
F. Long-term Obligations	71
G. On-Behalf Payments	75
H. Internal Financing	75
V. Other Information	
A. Risk Management	76
B. Accounting Changes	77
C. Subsequent Event	78
D. Contingent Liabilities	78
E. Joint Ventures	78
F. Jointly Governed Organization	80
G. Retirement Commitments	80
H. Other Postemployment Benefits (OPEB)	84
I. Termination Benefits	89
J. Office of Central Accounting and Budgeting	89
K. Purchasing Laws	89
VI. Other Notes - Discretely Presented Hamblen County Emergency Communications District	90

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hamblen 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 Hamblen County:

A. Reporting Entity

Hamblen County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Hamblen County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Hamblen County School Department operates the public school system in the county, and the voters of Hamblen 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 Hamblen County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hamblen County. The Hamblen County Emergency Communications District is governed by a ten-member board of directors, which is appointed by the county mayor and confirmed by the Hamblen County Commission. 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 Hamblen 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 Hamblen County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Hamblen County Emergency
Communications District
530 North Jackson Street
Morristown, TN 37814

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. However, the primary government of Hamblen County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hamblen 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.

Hamblen County issues all debt for the discretely presented Hamblen County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds 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 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 Hamblen 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 category. Hamblen County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds 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. Hamblen 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.

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.

Hamblen 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.

Solid Waste/Sanitation Fund – This special revenue fund is used to account for transactions involving solid waste collection. Local taxes are the foundational revenues 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.

Additionally, Hamblen 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.

Other Employee Benefits Trust Fund – The Employee Benefits Trust Fund is used to account for operations of the flexible benefits program for Hamblen County employees.

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

The discretely presented Hamblen 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.

Central Cafeteria Fund – This special revenue fund is used to account for cafeteria operations in each of the schools. Service charges and federal grants are the foundational revenues of this fund.

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

Capital Projects Funds – These funds are used to account for building construction and renovations of the School Department.

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.

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

1. Deposits and Investments

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 Hamblen 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. Income from these pooled investments is assigned to the various funds based on the approved budgets. Hamblen 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 with the exception of negotiable certificates of deposits, which are reported at fair value. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset

value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.67 percent of total taxes levied.

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the primary government's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. Inventories and Prepaid Items

Inventories of the discretely presented Hamblen County School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in the governmental funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two 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	40
Other Capital Assets	3 - 15
Infrastructure	100

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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 two items that qualify for reporting in this category. They are the accumulated decrease in fair value of hedging derivatives and the deferred charge on refunding. Both of these items are reported in the government-wide Statement of Net Position. Additional information regarding the fair value of hedging derivatives is included in Note IV.B., Derivative Instruments. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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/or the governmental funds balance sheet. These revenues are from the following sources: current property taxes, delinquent property taxes, accumulated increase in fair value of hedging derivatives, and other deferred/unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

Vacation leave benefits for employees of Hamblen County do not vest or accumulate and must be used within the current year or are lost. Therefore, no accrual has been recorded for vacation pay.

Vacation benefits for all 12-month employees of the discretely presented Hamblen County School Department are earned in the current year for use in the subsequent year. Therefore, accrued leave balances payable of \$202,748 recorded as a liability in this report must be used in one year or are lost.

There is no liability for unpaid accumulated sick leave since Hamblen County and the School Department do not have policies to pay any amounts when employees separate from service with the government.

7. 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 service expenditures.

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

8. Net Position and Fund Balance

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

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

As of June 30, 2013, Hamblen County had \$35,582,567 in outstanding debt for capital purposes for the discretely presented Hamblen County School Department. This debt is a liability of Hamblen County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hamblen 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 classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

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

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

encumbrances (\$56,689), amounts appropriated for use in the 2013-14 budget (\$649,607), amounts for various insurance premium increases (\$629,242) and various other assignments (\$369,716). Assigned fund balance in the School Department's General Purpose School Fund includes amounts for encumbrances not related to capital projects (\$428,175) and amounts assigned for capital projects (\$7,937,205), vehicles (\$518,357), and other uses (\$604,363).

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

9. Prior-period Adjustment

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A prior-period adjustment totaling \$354,674 has been recorded to recognize accumulated unamortized debt issuance costs on the government-wide financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hamblen County School Department

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

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

Primary Government

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

Discretely Presented Hamblen County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The

difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2013, the Hamblen County School Department reported the following significant encumbrances:

<u>Funds</u>	<u>Description</u>	<u>Amount</u>
School Department:		
Major Fund:		
General Purpose School	Instructional materials	\$ 280,326
"	Capital outlay	1,253,205
Central Cafeteria	Cafeteria equipment	194,182

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2013, Hamblen County had the following investments carried at fair value or amortized cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hamblen County and the discretely presented Hamblen County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value or Cost
State Treasurer's Investment Pool	11 to 138 days	N/A	\$ 1,072,280
U.S. Treasury Bill	N/A	11-15-13	115,165
"	N/A	12-15-13	115,337
"	N/A	1-15-14	115,544
"	N/A	2-15-14	110,757
"	N/A	8-15-14	120,193
"	N/A	11-15-14	125,254
"	N/A	12-15-14	125,029
Federal Farm Credit Bank	N/A	10-7-13	116,144
"	N/A	7-24-13	115,005
Federal Home Loan Bank	N/A	8-28-13	115,065
Federal National Mortgage Association	N/A	7-12-13	115,133
Total			<u>\$ 2,360,906</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit

the maturities of certain investments as previously disclosed. Hamblen County has a formal investment policy with the same requirements as state statutes for limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hamblen County has an investment policy that limits its investment choices to those authorized by state statute, with safety, liquidity, and yield being priorities specified by the policy. As of June 30, 2013, Hamblen County's investment in the State Treasurer's Investment Pool was unrated. Hamblen County's investments in Federal Farm Credit Bank, Federal Home Loan Bank, and Federal National Mortgage Association were rated Aaa by Moody's Investor's Service, AA+ by Standard and Poor's, and AAA by Fitch ratings.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Hamblen County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Farm Credit Bank (9.79 percent).

B. Derivative Instruments

Primary Government

At June 30, 2013, Hamblen County had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$10M Swap - A	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 10,000,000	12-16-10	6-1-17	Pay 4.265% receive 70% of 3 month LIBOR
\$10M Swap - B	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	10,000,000	5-7-13	6-1-25	Pay 4.39% receive 63.4% of 5 year LIBOR

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows:

Type	Changes in Fair Values		Fair Value at June 30, 2013		6-30-13
	Classification	Amount	Classi- fication	Amount	Notional Amount
Governmental Activities					
Pay-fixed interest rate swaps:					
\$10M Hybrid Swap A:					\$ 10,000,000
Cash Flow Hedge Portion	Deferred				
	Outflow	\$ (172,145)	Debt	\$ (172,145)	
Non-hedge Portion	Investment				
	Earnings	542,347	Debt	(527,908)	
Total \$10M Hybrid Swap A		<u>\$ 370,202</u>		<u>\$ (700,053)</u>	
\$10M Hybrid Swap B:					8,775,000
Cash Flow Hedge Portion	Deferred				
	Inflow	\$ 434,440	Debt	\$ 434,440	
Non-hedge Portion	Investment				
	Earnings	470,471	Debt	(2,255,037)	
Total \$10M Hybrid Swap A		<u>\$ 904,911</u>		<u>\$ (1,820,597)</u>	
Total		<u>\$ 1,275,113</u>		<u>\$ (2,520,650)</u>	

Hamblen County has amended its variable rate debt instruments, which were associated with these swap agreements. As a result, the county has recognized a termination of the original hedging relationships and recognized new hedging relationships between the swap agreements and the amended debt instruments. Amounts deferred in previous years attributable to the original hedging relationships have been removed and investment earnings or losses recognized in the current year for the portion of the swaps' values that are not attributable to the current hedge relationship. Changes in the portion of the swaps' fair values that are attributable to the current hedging relationship are deferred since they meet effectiveness criteria of Governmental Accounting Standards Board Statement No. 53.

Derivative Swap Agreement Detail

\$10M Swap – A

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series III-D-2.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its Series III-D-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series III-D-2 bonds have since been refunded with a portion of the proceeds of the Series VII-C-2 bonds, and the interest rate swap is now associated with the Series VII-C-2 bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.265 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$10 million. The interest rate swap agreement will not exceed the outstanding principal amount on the associated hedged bonds. The variable rates on the bonds have historically approximated the Securities Industry and Financial Markets Association (the “SIFMA”). The bonds and the related swap agreement mature on June 1, 2017. As of June 30, 2013, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.265%
Variable payment from counterparty		<u>-0.189%</u>
Net interest rate swap payments		4.076%
Variable-rate bond coupon payments		<u>0.927%</u>
Synthetic interest rate on bonds		<u><u>5.003%</u></u>

Fair value. As of June 30, 2013, the swap had a negative fair value of \$700,054. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2013, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap’s fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor’s as of June 30, 2013, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody’s, Standard and Poor’s, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should the bond rate increase to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the bond rate being below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform

under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2014	\$ 2,670,000	\$ 81,371	\$ 357,669	\$	3,109,040
2015	2,810,000	56,611	248,840		3,115,451
2016	2,955,000	30,555	134,304		3,119,859
2017	340,000	3,153	13,858		357,011
Total	\$ 8,775,000	\$ 171,690	\$ 754,671	\$	9,701,361

\$10M Swap - B

Under its loan agreement, the Public Building Authority of Blount County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series A-2-B.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its Series A-2-B variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series A-2-B bonds have since been refunded with a portion of the proceeds of the Series E-4-A bonds, and the interest rate swap is now associated with the Series E-4-A bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.39 percent and receives a variable payment computed as 63.4 percent of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$10 million. The interest rate swap agreement will not exceed the outstanding principal amount on the associated hedged bonds. The bonds' variable rates have historically approximated the Securities Industry and Financial Markets Association™

(SIFMA). The bonds and the related swap agreement mature on June 1, 2025. As of June 30, 2013, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.390%
Variable payment from counterparty		<u>-1.008%</u>
Net interest rate swap payments		3.382%
Variable-rate bond coupon payments		<u>0.991%</u>
Synthetic interest rate on bonds		<u><u>4.373%</u></u>

Fair value. As of June 30, 2013, the swap had a negative fair value of \$1,820,596. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2013, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Morgan Keegan Financial Products, was rated A+ by Standard and Poor's as of June 30, 2013, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should the bond rate increase to above 63.4 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the bond rate being below 63.4 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination risk. The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2014	\$ 0	\$ 99,057	\$ 338,194	\$	437,251
2015	0	99,057	338,194		437,251
2016	0	99,057	338,194		437,251
2017	0	99,057	338,194		437,251
2018	0	99,057	338,194		437,251
2019-2023	6,300,000	405,883	1,385,750		8,091,633
2024-2025	3,700,000	55,471	189,389		3,944,860
Total	\$ 10,000,000	\$ 956,639	\$ 3,266,109	\$	14,222,748

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12		Increases		Decreases		Balance 6-30-13
Capital Assets Not Depreciated:							
Land	\$	420,779	\$	0	\$	0	\$ 420,779
Construction in Progress		112,090		54,542		(116,305)	50,327
Total Capital Assets Not Depreciated	\$	532,869	\$	54,542	\$	(116,305)	\$ 471,106
Capital Assets Depreciated:							
Buildings and Improvements	\$	10,931,648	\$	0	\$	0	\$ 10,931,648
Roads and Bridges		16,954,011		0		0	16,954,011
Other Capital Assets		5,192,604		1,196,061		(449,457)	5,939,208
Total Capital Assets Depreciated	\$	33,078,263	\$	1,196,061	\$	(449,457)	\$ 33,824,867
Less Accumulated Depreciation For:							
Buildings and Improvements	\$	3,559,502	\$	304,743	\$	0	\$ 3,864,245
Roads and Bridges		5,964,791		169,681		0	6,134,472
Other Capital Assets		3,948,881		542,107		(444,770)	4,046,218
Total Accumulated Depreciation	\$	13,473,174	\$	1,016,531	\$	(444,770)	\$ 14,044,935

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Total Capital Assets				
Depreciated, Net	\$ 19,605,089	\$ 179,530	\$ (4,687)	\$ 19,779,932
Governmental Activities				
Capital Assets, Net	\$ 20,137,958	\$ 234,072	\$ (120,992)	\$ 20,251,038

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

Governmental Activities:

General Government	\$ 101,976
Finance	8,119
Administration of Justice	168,082
Public Safety	215,032
Public Health and Welfare	182,839
Social, Cultural, and Recreational Services	38,163
Highways/Public Works	302,320
Total Depreciation Expense - Governmental Activities	\$ 1,016,531

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

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 2,898,244	\$ 100,772	\$ 0	\$ 2,999,016
Construction in Progress	4,222,884	2,393,845	(4,222,884)	2,393,845
Total Capital Assets Not Depreciated	\$ 7,121,128	\$ 2,494,617	\$ (4,222,884)	\$ 5,392,861
Capital Assets Depreciated:				
Buildings and Improvements	\$ 128,227,831	\$ 3,951,695	\$ 0	\$ 132,179,526
Other Capital Assets	12,500,160	1,314,456	(162,036)	13,652,580
Total Capital Assets Depreciated	\$ 140,727,991	\$ 5,266,151	\$ (162,036)	\$ 145,832,106

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Less Accumulated Depreciation For: Buildings and Improvements	\$ 88,855,185	\$ 1,995,467	\$ 0	\$ 90,850,652
Other Capital Assets	7,935,667	822,844	(162,036)	8,596,475
Total Accumulated Depreciation	\$ 96,790,852	\$ 2,818,311	\$ (162,036)	\$ 99,447,127
Total Capital Assets Depreciated, Net	\$ 43,937,139	\$ 2,447,840	\$ 0	\$ 46,384,979
Governmental Activities Capital Assets, Net	\$ 51,058,267	\$ 4,942,457	\$ (4,222,884)	\$ 51,777,840

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

Governmental Activities:

Instruction	\$ 34,472
Support Services	2,637,510
Operation of Non-Instructional Services	146,329
Total Depreciation Expense - Governmental Activities	<u>\$ 2,818,311</u>

D. Construction Commitments

At June 30, 2013, the General Purpose School Fund of the discretely presented School Department had uncompleted construction contracts of approximately \$1,253,205 for building improvement projects. Funding for the future expenditures for construction contracts in the General Purpose School Fund has been provided from assigned fund balance.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 24,388
"	General Debt Service	8,691
Solid Waste/Sanitation	"	395,681
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	39,233

The balance of \$395,681 due to the Solid Waste/Sanitation Fund from the General Debt Service Fund resulted from an advance to the Education Capital Projects Fund, which will be repaid from the General Debt Service Fund, for capital projects at the Hamblen County School Department's two high schools. The entire amount is expected to be received within one year.

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

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government:		
Component Unit:		
School Department:		
General	General Purpose School	\$ 26,673

Interfund Transfers:

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

Primary Government:

Transfer Out	Transfer In Nonmajor Governmental Fund
General Fund	\$ 25,000

Discretely Presented Hamblen County School Department:

Transfer Out	Transfer In	
	General Purpose	School Fund
Nonmajor governmental fund	\$	39,233

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 and Other Loans

Hamblen County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds and other loans have been issued to refund other debt.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to ten years for bonds and up to 17 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Bonds and other loans included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds and other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds - Refunding	3 to 5 %		6-1-19	\$ 10,860,000	\$ 10,455,000
General Obligation Bonds	2		6-1-16	2,375,000	805,000
Other Loans - Qualified School Construction Bonds	1.515		7-1-26	11,280,000	9,285,747
Other Loans - Refunding	Variable		6-1-25	30,300,000	18,955,000

Qualified School Construction Bonds were issued through the Tennessee State School Bond Authority, and the proceeds were loaned to Hamblen County and various other local governments across Tennessee. The county pays interest of 1.515 percent on its share of the bonds and also pays a monthly administrative fee to the state. The county and the other borrowers of the bond proceeds are required to comply with federal regulations established for the Qualified School Construction Bond program. Failure to comply with those requirements may result in the loss of the tax credit status on the bonds. This would result in further charges to the borrowers including the requirement to pay the tax-credit rate (5.86 percent) in addition to the 1.515 percent for a total rate of 7.375 percent.

Hamblen County has entered into loan agreements with the Blount County Public Building Authority and the Sevier County Public Building Authority (PBAs). The loan agreements provide for the PBAs to make funds available for loan to Hamblen County on an as needed basis to finance various projects for the county and the discretely presented School Department. As of June 30, 2013, Hamblen County had drawn the entire amount available under the agreements. In addition to interest, the county pays various other fees (trustee, letter of credit, debt remarketing, etc.) in connection with the variable rate loans.

The following table summarizes the loan agreements outstanding at June 30, 2013, including interest rates and other loan fees:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-13	Interest Type	Interest Rates as of 6-30-13	Other Fees on Variable Rate Debt
<u>Sevier County Public</u>					
<u>Building Authority</u>					
Refunding					
(Series VII-C-2)	\$ 20,200,000	\$ 8,855,000	Variable (1)	5.003 %	.32 %
<u>Blount County Public</u>					
<u>Building Authority</u>					
Refunding					
(Series E-4-A)	10,100,000	<u>10,100,000</u>	Variable (1)	4.373	0.82
Total		<u><u>\$ 18,955,000</u></u>			

(1) Interest rate swap agreements are associated with these loans. See Note IV.B., Derivative Instruments, for details of these swap agreements. The interest rate shown is the synthetic rate established from the swap agreement.

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 375,000	\$ 467,600	\$ 842,600
2015	380,000	459,000	839,000
2016	380,000	450,300	830,300
2017	2,890,000	441,600	3,331,600
2018	3,575,000	326,000	3,901,000
2019	3,660,000	183,000	3,843,000
Total	\$ 11,260,000	\$ 2,327,500	\$ 13,587,500

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 3,393,854	\$ 1,055,581	\$ 110,908	\$ 4,560,343
2015	3,533,854	921,000	102,242	4,557,096
2016	3,678,854	779,415	93,124	4,551,393
2017	1,063,854	630,576	83,540	1,777,970
2018	703,854	612,565	82,380	1,398,799
2019-2023	9,889,270	2,663,132	337,351	12,889,753
2024-2027	5,977,207	773,773	46,042	6,797,022
Total	\$ 28,240,747	\$ 7,436,042	\$ 855,587	\$ 36,532,376

There is \$4,791,034 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and other loans, totaled \$632, based on the 2010 federal census.

Changes in Long-term Obligations

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

Governmental Activities:	Other		
	Bonds	Loans	Postemployment Benefits
Balance, July 1, 2012	\$ 11,630,000	\$ 31,499,601	\$ 253,085
Additions	0	0	93,417
Reductions	(370,000)	(3,258,854)	(10,109)
Balance, June 30, 2013	\$ 11,260,000	\$ 28,240,747	\$ 336,393
Balance Due Within One Year	\$ 375,000	\$ 3,393,854	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 39,837,140
Less: Balance Due Within One Year	(3,768,854)
Add: Unamortized Premium on Debt	<u>580,409</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 36,648,695</u></u>
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Other postemployment benefits will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds.

Discretely Presented Hamblen County School Department

Changes in Long-term Obligations

Long-term obligation activity for the discretely presented Hamblen County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Compensated Absences
Balance, July 1, 2012	\$ 10,104,215	\$ 193,284
Additions	3,307,151	202,748
Reductions	<u>(1,632,063)</u>	<u>(193,284)</u>
Balance, June 30, 2013	<u><u>\$ 11,779,303</u></u>	<u><u>\$ 202,748</u></u>
Balance Due Within One Year	<u><u>\$ 0</u></u>	<u><u>\$ 202,748</u></u>

	Retirement Incentive	Retirement Honorarium
Balance, July 1, 2012	\$ 184,620	\$ 842,146
Additions	94,194	204,104
Reductions	<u>(97,962)</u>	<u>(142,636)</u>
Balance, June 30, 2013	<u><u>\$ 180,852</u></u>	<u><u>\$ 903,614</u></u>
Balance Due Within One Year	<u><u>\$ 97,962</u></u>	<u><u>\$ 41,337</u></u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 13,066,517
Less: Balance Due Within One Year	<u>(342,047)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,724,470</u>

In addition to the commitments noted above, the Board of Education appropriates available school funds to be contributed to the primary government each year to help retire school debt, which is being paid from the county's General Debt Service Fund. During the year ended June 30, 2013, the School Department contributed \$500,000 to the primary government for this purpose.

Compensated absences, retirement incentives, and honorariums will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

G. On-Behalf Payments – Discretely Presented Hamblen County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hamblen County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$557,854 and \$100,872, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Internal Financing

In-lieu-of issuing debt with financial institutions, Hamblen County chose to internally finance capital improvements to Morristown Hamblen High School East and Morristown Hamblen High School West with idle county funds. In the previous year, an interfund loan was issued from the Solid Waste/Sanitation Fund and the proceeds were contributed to the Education Capital Projects Fund. The loan will be repaid from the General Debt Service Fund. At June 30, 2013, Due from Other Funds is reflected in the Solid Waste/Sanitation Fund and Due to Other Funds is reflected in the General Debt Service Fund, for the outstanding balance of the loan totaling \$395,681.

Internally financed debt is reflected below:

Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Morristown Hamblen East and West High Schools	\$ 1,185,503	.13 %	1-19-11	1-19-14
		Paid and/or Matured		
Description	Outstanding 7-1-12	During Period	Outstanding 6-30-13	
Morristown Hamblen East and West High Schools	\$ 790,849	\$ 395,168	\$ 395,681	
Total	\$ 790,849	\$ 395,168	\$ 395,681	

V. OTHER INFORMATION

A. Risk Management

It is the policy of Hamblen County and the discretely presented Hamblen County School Department to purchase commercial insurance for the risks of losses to which they are exposed for general liability, property, casualty, and workers' compensation. Additionally, it is the policy of Hamblen County to purchase commercial insurance for the risks of losses to which it is exposed for employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The discretely presented Hamblen County 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

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$354,674 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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

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

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

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

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and

liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

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

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

C. Subsequent Event

In September 2013, the School Board awarded a bid totaling \$578,680 for the Morristown-Hamblen High School East auditorium project.

D. Contingent Liabilities

The county is involved in pending litigation. Based on letters from attorneys, management believes that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

E. Joint Ventures

Primary Government

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. Hamblen County made no contributions to the DTF for the year ended June 30, 2013.

The Hamblen County-Morristown Solid Waste Disposal System is a joint venture that is operated by Hamblen County and the City of Morristown. The board of directors of the system is comprised of eight members, three

appointed by the Hamblen County Commission and three appointed by the Morristown City Council. The county mayor and city mayor appoint one member each. The board has control, supervision, management, and use of the landfills. Further, any and all real estate purchases are to be titled in the name of the City of Morristown and Hamblen County, each owning an undivided one-half interest, and each having agreed to equally finance the costs of such acquisitions. The board is required to submit its annual budget to the Hamblen County Commission and the Morristown City Council for approval.

The Morristown-Hamblen Library is a joint venture between two equal participants, Hamblen County and the City of Morristown. The library was created to provide public library service to the general public. The board of directors consists of nine members; four appointed by the Hamblen County Commission, three appointed by the Morristown City Council, and two members from the regional library board. Hamblen County has indirect control of the budget through the amount of annual appropriations. The library's operating budget is adopted and controlled by its board without requiring approval of the Hamblen County Commission and the Morristown City Council.

Hamblen County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Third Judicial District Drug Task Force, Hamblen County-Morristown Solid Waste Disposal System, and Morristown-Hamblen Library can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
Third Judicial District Drug Task Force
109 South Main Street, Suite 501
Greeneville, TN 37743

Hamblen County-Morristown Solid
Waste Disposal System
P.O. Box 2108
Morristown, TN 37816

Morristown-Hamblen Library
417 West Main Street
Morristown, TN 37814

Discretely Presented School Department

The discretely presented School Department participates in the Northeast Tennessee Cooperative (NETCO). The cooperative was established through a contractual agreement between the Boards of Education of Hamblen County and various other counties and cities in the upper East Tennessee area. The

cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*, and was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to provide this service. NETCO is governed by a representative committee, including one representative from each of the member districts and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

Complete financial statements for NETCO can be obtained from its administrative office at the following address:

Administrative Office:

Northeast Tennessee Cooperative
100 East Maple Street
P.O. Box 1517
Johnson City, TN 37605

F. Jointly Governed Organization

The East Tennessee Regional AgriBusiness Marketing Authority was established through Title 64 of *Tennessee Code Annotated*, and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. 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 of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center's manager as an ex officio member, is in charge of the daily operations of the center.

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

Employees of Hamblen County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at

any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Hamblen County has authorized mandatory retirement for its public safety officers. Public safety officers can retire at age 55 with five years of service or at any age with 25 years of service and receive a supplemental bridge payment between the mandatory retirement age and 62. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamblen County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hamblen County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 9.4 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamblen County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Hamblen County's annual pension cost of \$1,493,029 to TCRS was equal to Hamblen County's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries),

(d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hamblen County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was two years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$1,493,029	100%	\$0
6-30-12	1,523,501	100	0
6-30-11	1,360,879	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.99 percent funded. The actuarial accrued liability for benefits was \$46.75 million, and the actuarial value of assets was \$45.81 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.94 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.92 million, and the ratio of the UAAL to the covered payroll was 6.31 percent.

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

SCHOOL TEACHERS

Plan Description

The Hamblen County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age

of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2013, 2012, and 2011, were \$3,090,239, \$3,035,186, and \$3,023,836, and respectively, equal to the required contributions for each year.

2. Deferred Compensation

Hamblen County offers its employees a deferred compensation plan established pursuant to IRC Section 457. All costs of administering and funding this program are the responsibility of plan participants. The Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 established participation, contribution, and withdrawal provisions for the plan.

H. Other Postemployment Benefits (OPEB)

Primary Government

Plan Description

Hamblen County provides commercial health insurance benefits for pre-65 retirees and participates in the state-administered Medicare Supplement Plan for post-65 retirees. For accounting purposes, the commercial plan is a single-employer defined benefit OPEB plan and the Medicare Supplement Plan is an agent multiple-employer defined benefit OPEB plan. Benefits of the commercial plan are provided as approved by the County Commission. Benefits for the Medicare Supplement Plan are established and amended by an insurance committee created by Section 8-27-701, *Tennessee Code Annotated*. Subsequent to age 65, members who are also in the state's retirement system may participate in the state-administered Medicare Supplement Plan that does not include pharmacy. That plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://www.tn.gov/finance/act/cafr.html>.

Funding Policy

Pre-65 retirees participating in the commercial insurance plan must pay the entire premium for their single coverage insurance. Dependents of retirees are not eligible to participate in the plan.

Premium requirements of Medicare Supplement Plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing retired employees' premiums since the committee is not prescriptive on that issue. Hamblen County provides a partial subsidy for post-65 retirees participating in the Medicare Supplement Plan.

During the year ended June 30, 2013, Hamblen County contributed \$10,109 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

			Commercial Plan		Medicare Supplement Plan
ARC		\$	19,149	\$	75,000
Interest on the NOPEBO			1,229		8,894
Adjustment to the ARC			(1,414)		(9,441)
Annual OPEB cost		\$	18,964	\$	74,453
Amount of contribution			(7,259)		(2,850)
Increase/decrease in NOPOBO		\$	11,705	\$	71,603
Net OPEB obligation, 7-1-12			30,729		222,356
Net OPEB obligation, 6-30-13		\$	42,434	\$	293,959

Fiscal Year Ended	Plans		Annual OPEB Cost	of Annual OPEB Cost Contributed		Net OPEB Obligation at Year End
6-30-11	Commercial	\$	18,665	54	% \$	18,777
6-30-12	"		18,107	34		30,729
6-30-13	"		18,964	38		42,434
6-30-11	Medicare Supplement		78,178	2		151,278
6-30-12	"		73,628	3		222,356
6-30-13	"		74,453	4		293,959

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

		Commercial Plan		Medicare Supplement Plan
Actuarial valuation date		7-1-11		7-1-11
Actuarial accrued liability (AAL)	\$	122,646	\$	662,000
Actuarial value of plan assets	\$	0	\$	0
Unfunded actuarial accrued liability (UAAL)	\$	122,646	\$	662,000
Actuarial value of assets as a % of the AAL		0%		0%
Covered payroll (active plan members)	\$	6,996,185	\$	N/A
UAAL as a % of covered payroll		2%		N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required

supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the commercial plan, the entry age normal actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return and an annual healthcare cost trend rate of nine percent for fiscal year 2011. The trend will be reduced by decrements to an ultimate rate of five percent by fiscal year 2015. The assumptions for the commercial plan also include annual salary increases of 3.5 percent and projected annual increases in payroll of 2.5 percent. For the Medicare Supplement Plan, the projected unit credit actuarial cost method was used. The annual healthcare cost trend for the Medicare Supplement Plan was 6.25 percent for fiscal year 2013. The trend will decrease to six percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2018. The Medicare Supplement Plan assumptions include a 2.5 percent inflation rate. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

Discretely Presented Hamblen County School Department

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan and the Medicare Supplement Plan. 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 teachers and Section 8-27-701, *TCA*, for the Medicare Supplement Plan. 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://www.tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of the health 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 the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2013, the discretely presented Hamblen County School Department contributed \$1,632,063 for other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Medicare Supplement Plan
ARC	\$ 3,030,000	\$ 302,000
Interest on the NOPEBO	366,718	37,451
Adjustment to the ARC	(389,264)	(39,754)
Annual OPEB cost	\$ 3,007,454	\$ 299,697
Amount of contribution	(1,605,975)	(26,088)
Increase/decrease in NOPEBO	\$ 1,401,479	\$ 273,609
Net OPEB obligation, 7-1-12	9,167,944	936,271
Net OPEB obligation, 6-30-13	\$ 10,569,423	\$ 1,209,880

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 3,306,563	43 %	\$ 8,022,493
6-30-12	"	2,980,271	62	9,167,944
6-30-13	"	3,007,454	53	10,569,423
6-30-11	Medicare Supplement	278,984	9	667,275
6-30-12	"	295,359	9	936,271
6-30-13	"	299,697	9	1,209,880

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Medicare Supplement Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 26,306,000	\$ 4,482,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 26,306,000	\$ 4,482,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 41,684,000	\$ N/A
UAAL as a % of covered payroll	63%	N/A

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate for the Local Education Plan was 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Medicare Supplement Plan was 6.25 percent for fiscal year 2013. The trend will decrease to six percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2018. Both

rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

I. Termination Benefits

The discretely presented Hamblen County School Department offers a voluntary termination benefits plan to its certified employees in accordance with contract provisions. To be eligible, employees must retire in the school year that they become 60 years of age or obtain 30 years of creditable service in the Tennessee Consolidated Retirement System, whichever comes first. Under the terms of the plan, employees can select between receiving \$4,500 for two years or \$3,500 for three years. During the 2012-13 year, 26 employees participated in the program. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is \$180,852. Of that amount, \$97,962 is due within one year. The governmental funds' financial statements reflect retirement incentive expenditures of \$97,962 in the General Purpose School Fund.

In addition to the previously mentioned retirement incentive, the discretely presented Hamblen County School Department also offers an additional retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service. Under the terms of the plan, employees receive \$100 for each year of service with Hamblen County and/or the former Morristown City School System. As of June 30, 2013, 416 employees met the requirements of this benefit. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is \$903,614. Of that amount, \$41,337 is due within one year. The governmental funds' financial statements reflect retirement honorarium expenditures of \$142,636 in the General Purpose School Fund.

J. Central Accounting and Budgeting

Office of Director of Finance

The Hamblen County Finance Department was established by an agreement between the county mayor and the County Commission. This agreement provides for a finance director who is responsible for maintaining records for funds administered by the county mayor and the highway commissioner.

K. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Section 5-14-201, et seq., *Tennessee Code Annotated (TCA)*. This act provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Commissioner

Chapter 313 of the Private Acts of 1949, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Road 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 Hamblen 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 to be solicited through newspaper advertisement on all purchases exceeding \$10,000. However, the Board of Education has adopted a more restrictive policy that requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$3,500.

VI. OTHER NOTES – DISCRETELY PRESENTED HAMBLEN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Nature of the Organization

The district was established by the county for the purpose of enhancing 911 and selective routing services under *Tennessee Code Annotated (TCA)*, Sections 7-86-101 through 7-86-117 “Emergency Communications District Law.” The district is a component unit of Hamblen County, Tennessee. It is managed by an 11-member Board of Directors appointed by the Hamblen County Commission for a term of four years. The district is fiscally dependent upon the county since it must obtain County Commission approval before the issuance of most debt, and the County Commission has the ability to adjust the district’s service charges.

B. Significant Accounting Policies

1. Basis of accounting – accrual. Revenue is recognized when earned, and expenses are recorded when incurred.
2. Fund type – proprietary.
3. For purposes of the Statement of Cash Flows, the district considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

4. Capital assets and depreciation:

a. Capital assets are recorded at cost. Buildings are depreciated over 31.5 years, furniture and equipment over seven years, and communications equipment over five years.

b. Capital assets consist of:

	Balance		Balance		Net
	7-1-12	Additions	6-30-13	Accumulated Depreciation	Capital Assets
Capital Assets:					
Building	\$ 359,695	\$ 0	\$ 359,695	\$ 116,466	\$ 243,229
Communications equip.	983,331	199,988	1,183,319	646,519	536,800
Furniture and fixtures	168,981	0	168,981	166,353	2,628
Office equipment	4,550	899	5,449	2,406	3,043
Automobile	22,806	0	22,806	22,806	0
Total	<u>\$ 1,539,363</u>	<u>\$ 200,887</u>	<u>\$ 1,740,250</u>	<u>\$ 954,550</u>	<u>\$ 785,700</u>

c. The straight-line method of depreciation is used, totaling \$96,977 for 2013. Accumulated depreciation was \$954,550 as of June 30, 2013.

5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The useful lives of the capital assets of the district are such estimates.
6. Measurement focus is a term used to describe “which” transactions are recorded within the financial statements. The proprietary fund is accounted for using the “economic resources” measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are these expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. Proprietary funds utilize the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

C. Deposits

The district’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk - Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the district’s deposits may not be returned to it. As of June 30, 2013, the district had no exposure to custodial credit risk as its deposits were either insured by the FDIC or collateralized with securities held by the State of Tennessee Bank Collateral Pool.

D. Contributions from Primary Government

When the district was formed, the City of Morristown and Hamblen County, Tennessee, each verbally agreed to fund the salaries and benefits of four dispatchers as the district absorbs these employees. The district bills the two entities monthly for these expenses.

E. Concentration of Credit Risk

Hamblen County Emergency Communications District was established for the purpose of enhancing 911 and selective routing services in Hamblen County. All fees are collected either through BellSouth/AT&T who bills every telephone customer in Hamblen County or the state Department of Commerce and Insurance of Tennessee who remits ECB wireless revenue monthly.

F. Compensated Absences

Annual Leave

Annual leave cannot be accumulated over 28 days or 224 hours. Upon termination, employees are reimbursed for their accumulated annual leave. As of June 30, 2013, this liability is \$22,877, of which \$5,719 is estimated to be current.

Sick Leave

Sick leave is accumulated at the rate of one day per month without limit. Sick leave may be used to allow an employee early retirement on a day-for-day basis.

G. Pension Plan Information

Plan Description

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

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

Funding Policy

Hamblen County Emergency Communications District requires its employees to contribute five percent of their earnable compensation to the plan. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 6.47 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Hamblen County Emergency Communications District's annual pension cost of \$36,997 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was two years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$36,997	100%	\$0
6-30-12	39,238	100	0
6-30-11	42,508	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.65 percent funded. The actuarial accrued liability for benefits was \$1.12 million, and the actuarial value of assets was \$1.07 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.56 million, and the ratio of the UAAL to the covered payroll was 8.76 percent.

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

H. Risk Management and Litigation

The district is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district is insured through the State Insurance Group as an ancillary to Hamblen County's insurance. There were no actual or potential claims against the district according to the county attorney; therefore, no provision has been made. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

I. Budgetary Information

The district must file a budget annually with Hamblen County. The budget is prepared on the accrual basis of accounting. The *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* has established the legal level of control, which is the level at which management loses the ability to reapply budgeted resources from one use to another without special approval, at the line-item level.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

Hamblen County, Tennessee

Schedule of Funding Progress – Pension Plan

Primary Government and Discretely Presented Hamblen County School Department

June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date		Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$	45,806	\$ 46,747	\$ 941	97.99 %	\$ 14,918	6.31 %
7-1-09		38,001	39,232	1,231	96.86	14,647	8.41
7-1-07		35,931	37,414	1,483	96.04	13,601	10.90

Exhibit E-2

Hamblen County, Tennessee
Schedule of Funding Progress – Pension Plan
Hamblen County Emergency Communications District
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 1,071	\$ 1,119	\$ 49	95.65 %	\$ 556	8.76 %
7-1-09	745	835	89	89.30	536	16.65
7-1-07	606	706	100	85.84	422	23.70

Exhibit E-3

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

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Commercial Plan*	7-1-09	\$ 0	\$ 129	\$ 129	0 %	\$ 6,698	1.9 %
"	7-1-11	0	123	123	0	6,996	1.8
Medicare Supplement Plan	7-1-09	0	721	721	0	N/A	N/A
"	7-1-10	0	721	721	0	N/A	N/A
"	7-1-11	0	662	662	0	N/A	N/A
<u>DISCRETELY PRESENTED HAMBLEN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	29,549	29,549	0	44,684	67.6
"	7-1-10	0	29,380	29,380	0	44,682	66.0
"	7-1-11	0	26,306	26,306	0	41,684	63.1
Medicare Supplement Plan	7-1-09	0	4,248	4,248	0	N/A	N/A
"	7-1-10	0	4,248	4,248	0	N/A	N/A
"	7-1-11	0	4,482	4,482	0	N/A	N/A

*Three actuarial valuations will be presented when data is available.

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

BUDGETARY INFORMATION

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Highway/Public Works Fund – The Highway/Public Works Fund is used to account for transactions of the county's Highway Department.

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 is used to account for general capital expenditures of the county and the issuance of debt on behalf of the discretely presented Hamblen County School Department.

Sanitation Projects Fund – The Sanitation Projects Fund is used to account for transactions involving additional costs of an old landfill.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for expenditures related to road repairs.

Other Capital Projects Fund - QSCB – The Other Capital Projects Fund - QSCB is used to account for transactions related to the Qualified School Construction Bonds program.

Exhibit F-1

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

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Total	General Capital Projects	Sanitation Projects	Highway Capital Projects	Total	
ASSETS									
Cash	\$ 0	\$ 89,760	\$ 0	\$ 89,760	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,760
Equity in Pooled Cash and Investments	67,128	0	413,567	480,695	190,635	112,404	252	303,291	783,986
Accounts Receivable	0	20,399	1,252	21,651	0	0	0	0	21,651
Due from Other Governments	1,874	0	298,909	300,783	14,606	0	0	14,606	315,389
Total Assets	\$ 69,002	\$ 110,159	\$ 713,728	\$ 892,889	\$ 205,241	\$ 112,404	\$ 252	\$ 317,897	\$ 1,210,786
LIABILITIES									
Accounts Payable	\$ 3,035	\$ 0	\$ 25,181	\$ 28,216	\$ 17,125	\$ 5,363	\$ 0	\$ 22,488	\$ 50,704
Accrued Payroll	0	0	28,362	28,362	0	0	0	0	28,362
Payroll Deductions Payable	0	0	5,023	5,023	0	0	0	0	5,023
Retainage Payable	0	0	0	0	6,056	0	0	6,056	6,056
Due to Other Funds	1,308	23,080	0	24,388	0	0	0	0	24,388
Total Liabilities	\$ 4,343	\$ 23,080	\$ 58,566	\$ 85,989	\$ 23,181	\$ 5,363	\$ 0	\$ 28,544	\$ 114,533
DEFERRED INFLOWS OF RESOURCES									
Other Deferred/Unavailable Revenue	\$ 0	\$ 0	\$ 144,818	\$ 144,818	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,818
Total Deferred Inflows of Resources	\$ 0	\$ 0	\$ 144,818	\$ 144,818	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,818
FUND BALANCES									
Restricted:									
Restricted for Finance	\$ 0	\$ 53,433	\$ 0	\$ 53,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,433
Restricted for Administration of Justice	0	33,646	0	33,646	0	0	0	0	33,646
Restricted for Public Safety	64,659	0	0	64,659	0	0	0	0	64,659
Restricted for Highways/Public Works	0	0	510,344	510,344	0	0	0	0	510,344
Restricted for Capital Projects	0	0	0	0	34,496	107,041	0	141,537	141,537
Committed:									
Committed for Capital Projects	0	0	0	0	147,564	0	252	147,816	147,816
Total Fund Balances	\$ 64,659	\$ 87,079	\$ 510,344	\$ 662,082	\$ 182,060	\$ 107,041	\$ 252	\$ 289,353	\$ 951,435
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 69,002	\$ 110,159	\$ 713,728	\$ 892,889	\$ 205,241	\$ 112,404	\$ 252	\$ 317,897	\$ 1,210,786

Hamblen County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				
	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Total	
Revenues					
Local Taxes	\$ 0	\$ 0	\$ 57,808	\$	57,808
Fines, Forfeitures, and Penalties	50,338	0	0		50,338
Charges for Current Services	0	452,009	0		452,009
Other Local Revenues	34,441	0	47,047		81,488
State of Tennessee	0	0	1,941,442		1,941,442
Federal Government	7,162	0	0		7,162
Other Governments and Citizens Groups	9,214	0	0		9,214
Total Revenues	\$ 101,155	\$ 452,009	\$ 2,046,297	\$	2,599,461
Expenditures					
Current:					
General Government	\$ 0	\$ 50	\$ 0	\$	50
Finance	0	242,854	0		242,854
Administration of Justice	0	247,762	0		247,762
Public Safety	102,908	231	0		103,139
Highways	0	0	2,238,185		2,238,185
Capital Projects	0	0	0		0
Total Expenditures	\$ 102,908	\$ 490,897	\$ 2,238,185	\$	2,831,990
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,753)	\$ (38,888)	\$ (191,888)	\$	(232,529)
Other Financing Sources (Uses)					
Insurance Recovery	\$ 4,740	\$ 0	\$ 524	\$	5,264
Transfers In	0	0	0		0
Total Other Financing Sources (Uses)	\$ 4,740	\$ 0	\$ 524	\$	5,264
Net Change in Fund Balances	\$ 2,987	\$ (38,888)	\$ (191,364)	\$	(227,265)
Fund Balance, July 1, 2012	61,672	125,967	701,708		889,347
Fund Balance, June 30, 2013	\$ 64,659	\$ 87,079	\$ 510,344	\$	662,082

(Continued)

Exhibit F-2

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

	Capital Projects Funds					Total	Nonmajor Governmental Funds
	General Capital Projects	Sanitation Projects	Highway Capital Projects	Other Capital Projects QSCB	Total		
<u>Revenues</u>							
Local Taxes	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	57,808
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	50,338
Charges for Current Services	12,500	0	0	0	12,500	12,500	464,509
Other Local Revenues	0	0	0	36	36	36	81,524
State of Tennessee	50	0	464,956	0	465,006	465,006	2,406,448
Federal Government	408,119	0	0	0	408,119	408,119	415,281
Other Governments and Citizens Groups	12,500	0	0	0	12,500	12,500	21,714
Total Revenues	\$ 433,169 \$	0 \$	464,956 \$	36 \$	898,161 \$	898,161 \$	3,497,622
<u>Expenditures</u>							
Current:							
General Government	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	50
Finance	0	0	0	0	0	0	242,854
Administration of Justice	0	0	0	0	0	0	247,762
Public Safety	0	0	0	0	0	0	103,139
Highways	0	0	0	0	0	0	2,238,185
Capital Projects	431,614	5,363	468,376	36	905,389	905,389	905,389
Total Expenditures	\$ 431,614 \$	5,363 \$	468,376 \$	36 \$	905,389 \$	905,389 \$	3,737,379
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,555 \$	(5,363) \$	(3,420) \$	0 \$	(7,228) \$	(7,228) \$	(239,757)
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	5,264
Transfers In	25,000	0	0	0	25,000	25,000	25,000
Total Other Financing Sources (Uses)	\$ 25,000 \$	0 \$	0 \$	0 \$	25,000 \$	25,000 \$	30,264
Net Change in Fund Balances	\$ 26,555 \$	(5,363) \$	(3,420) \$	0 \$	17,772 \$	17,772 \$	(209,493)
Fund Balance, July 1, 2012	155,505	112,404	3,672	0	271,581	271,581	1,160,928
Fund Balance, June 30, 2013	\$ 182,060 \$	107,041 \$	252 \$	0 \$	289,353 \$	289,353 \$	951,435

Exhibit F-3

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 50,338	0	\$ 50,338	\$ 27,500	\$ 27,500	\$ 22,838
Other Local Revenues	34,441	0	34,441	5,250	37,941	(3,500)
Federal Government	7,162	0	7,162	0	6,683	479
Other Governments and Citizens Groups	9,214	0	9,214	10,000	10,000	(786)
Total Revenues	\$ 101,155	0	\$ 101,155	\$ 42,750	\$ 82,124	\$ 19,031
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 102,908	(5,525)	\$ 97,383	\$ 74,496	\$ 111,014	\$ 13,631
Total Expenditures	\$ 102,908	(5,525)	\$ 97,383	\$ 74,496	\$ 111,014	\$ 13,631
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,753)	5,525	\$ 3,772	\$ (31,746)	\$ (28,890)	\$ 32,662
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 4,740	0	\$ 4,740	0	\$ 4,740	0
Total Other Financing Sources	\$ 4,740	0	\$ 4,740	0	\$ 4,740	0
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 2,987	5,525	\$ 8,512	\$ (31,746)	\$ (24,150)	\$ 32,662
	61,672	(5,525)	56,147	52,734	52,734	3,413
Fund Balance, June 30, 2013	\$ 64,659	0	\$ 64,659	\$ 20,988	\$ 28,584	\$ 36,075

Exhibit F-4

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 57,808	\$ 0	\$ 57,808	\$ 45,000	\$ 45,000	\$ 12,808
Other Local Revenues	47,047	0	47,047	10,000	34,981	12,066
State of Tennessee	1,941,442	0	1,941,442	2,022,500	1,983,717	(42,275)
Federal Government	0	0	0	320,000	0	0
Total Revenues	\$ 2,046,297	\$ 0	\$ 2,046,297	\$ 2,397,500	\$ 2,063,698	\$ (17,401)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 345,025	\$ (183)	\$ 344,842	\$ 355,766	\$ 366,470	\$ 21,628
Highway and Bridge Maintenance	865,873	0	865,873	1,074,483	1,080,483	214,610
Operation and Maintenance of Equipment	318,501	0	318,501	388,203	388,203	69,702
Employee Benefits	38,529	0	38,529	53,185	53,185	14,656
Capital Outlay	670,257	(143,599)	526,658	1,067,050	591,897	65,239
Total Expenditures	\$ 2,238,185	\$ (143,782)	\$ 2,094,403	\$ 2,938,687	\$ 2,480,238	\$ 385,835
Excess (Deficiency) of Revenues Over Expenditures	\$ (191,888)	\$ 143,782	\$ (48,106)	\$ (541,187)	\$ (416,540)	\$ 368,434
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 524	\$ 0	\$ 524	\$ 0	\$ 524	\$ 0
Total Other Financing Sources	\$ 524	\$ 0	\$ 524	\$ 0	\$ 524	\$ 0
Net Change in Fund Balance	\$ (191,364)	\$ 143,782	\$ (47,582)	\$ (541,187)	\$ (416,016)	\$ 368,434
Fund Balance, July 1, 2012	701,708	(143,782)	557,926	586,706	586,706	(28,780)
Fund Balance, June 30, 2013	\$ 510,344	\$ 0	\$ 510,344	\$ 45,519	\$ 170,690	\$ 339,654

Exhibit F-5

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway Capital Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 464,956	\$ 464,956	\$ 464,956	\$ 0
Total Revenues	\$ 464,956	\$ 464,956	\$ 464,956	\$ 0
<u>Expenditures</u>				
<u>Capital Projects</u>				
Highway and Street Capital Projects	\$ 468,376	\$ 496,627	\$ 468,628	\$ 252
Total Expenditures	\$ 468,376	\$ 496,627	\$ 468,628	\$ 252
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,420)	\$ (31,671)	\$ (3,672)	\$ 252
Net Change in Fund Balance	\$ (3,420)	\$ (31,671)	\$ (3,672)	\$ 252
Fund Balance, July 1, 2012	3,672	31,671	3,672	0
Fund Balance, June 30, 2013	\$ 252	\$ 0	\$ 0	\$ 252

Major Governmental Fund

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 G

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,388,418	\$ 4,218,259	\$ 4,346,259	\$ 42,159
Fines, Forfeitures, and Penalties	50,926	47,500	47,500	3,426
Other Local Revenues	680,224	725,000	725,000	(44,776)
Total Revenues	<u>\$ 5,119,568</u>	<u>\$ 4,990,759</u>	<u>\$ 5,118,759</u>	<u>\$ 809</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 349,680	\$ 349,680	\$ 349,680	\$ 0
Education	3,279,174	3,279,174	3,279,174	0
<u>Interest on Debt</u>				
General Government	225,282	211,722	231,722	6,440
Education	1,538,166	1,511,893	1,574,893	36,727
<u>Other Debt Service</u>				
General Government	87,483	84,660	89,660	2,177
Education	12,560	17,860	17,860	5,300
Total Expenditures	<u>\$ 5,492,345</u>	<u>\$ 5,454,989</u>	<u>\$ 5,542,989</u>	<u>\$ 50,644</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (372,777)</u>	<u>\$ (464,230)</u>	<u>\$ (424,230)</u>	<u>\$ 51,453</u>
Net Change in Fund Balance	\$ (372,777)	\$ (464,230)	\$ (424,230)	\$ 51,453
Fund Balance, July 1, 2012	<u>5,163,811</u>	<u>5,161,755</u>	<u>5,161,755</u>	<u>2,056</u>
Fund Balance, June 30, 2013	<u><u>\$ 4,791,034</u></u>	<u><u>\$ 4,697,525</u></u>	<u><u>\$ 4,737,525</u></u>	<u><u>\$ 53,509</u></u>

Fiduciary Funds

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

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

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

Exhibit H-1

Hamblen County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	Agency Funds		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,701,310	\$ 1,701,310
Equity in Pooled Cash and Investments	300	0	300
Accounts Receivable	0	265	265
Due from Other Governments	1,639,504	0	1,639,504
Total Assets	<u>\$ 1,639,804</u>	<u>\$ 1,701,575</u>	<u>\$ 3,341,379</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 1,639,804	\$ 0	\$ 1,639,804
Due to Litigants, Heirs, and Others	0	1,701,575	1,701,575
Total Liabilities	<u>\$ 1,639,804</u>	<u>\$ 1,701,575</u>	<u>\$ 3,341,379</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 450	\$ 10,055,009	\$ 10,055,159	\$ 300
Due from Other Governments	1,726,268	1,639,504	1,726,268	1,639,504
Total Assets	\$ 1,726,718	\$ 11,694,513	\$ 11,781,427	\$ 1,639,804
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,726,718	\$ 11,694,513	\$ 11,781,427	\$ 1,639,804
Total Liabilities	\$ 1,726,718	\$ 11,694,513	\$ 11,781,427	\$ 1,639,804
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,577,030	\$ 10,996,615	\$ 10,872,335	\$ 1,701,310
Accounts Receivable	0	265	0	265
Total Assets	\$ 1,577,030	\$ 10,996,880	\$ 10,872,335	\$ 1,701,575
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,577,030	\$ 10,996,880	\$ 10,872,335	\$ 1,701,575
Total Liabilities	\$ 1,577,030	\$ 10,996,880	\$ 10,872,335	\$ 1,701,575
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,577,030	\$ 10,996,615	\$ 10,872,335	\$ 1,701,310
Equity in Pooled Cash and Investments	450	10,055,009	10,055,159	300
Accounts Receivable	0	265	0	265
Due from Other Governments	1,726,268	1,639,504	1,726,268	1,639,504
Total Assets	\$ 3,303,748	\$ 22,691,393	\$ 22,653,762	\$ 3,341,379
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,726,718	\$ 11,694,513	\$ 11,781,427	\$ 1,639,804
Due to Litigants, Heirs, and Others	1,577,030	10,996,880	10,872,335	1,701,575
Total Liabilities	\$ 3,303,748	\$ 22,691,393	\$ 22,653,762	\$ 3,341,379

Hamblen County School Department

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Other Capital Projects Fund – QSCB – The Other Capital Projects Fund – QSCB is used to account for transactions related to the Qualified School Construction Bonds Program.

Exhibit I-1

Hamblen County, Tennessee
Statement of Activities
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 52,332,943	\$ 341,772	\$ 4,970,443	\$ 0	\$ (47,020,728)
Support Services	25,331,361	341,153	851,547	54,707	(24,083,954)
Operation of Non-Instructional Services	6,187,953	1,372,410	4,224,336	0	(591,207)
Other Debt Service	500,000	0	0	0	(500,000)
Total Governmental Activities	\$ 84,352,257	\$ 2,055,335	\$ 10,046,326	\$ 54,707	\$ (72,195,889)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 13,265,132
Local Option Sales Taxes					11,241,951
Wheel Tax					706,881
Interstate Telecommunications Tax					5,090
Grants and Contributions Not Restricted to Specific Programs					43,778,858
Unrestricted Investment Income					47,877
Miscellaneous					95,018
Total General Revenues					\$ 69,140,807
Change in Net Position					\$ (3,055,082)
Net Position, July 1, 2012					60,764,170
Net Position, June 30, 2013					\$ 57,709,088

Exhibit I-2

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

	Major Funds		Nonmajor Funds Other	Total
	General Purpose School	Central Cafeteria	Govern- mental Funds	Governmental Funds
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 12,906,508	\$ 3,122,792	\$ 482,889	\$ 16,512,189
Inventories	0	152,949	0	152,949
Accounts Receivable	118,637	86	0	118,723
Due from Other Governments	2,360,839	6,510	76,887	2,444,236
Due from Other Funds	39,233	0	0	39,233
Property Taxes Receivable	13,510,615	0	0	13,510,615
Allowance for Uncollectible Property Taxes	(431,933)	0	0	(431,933)
Total Assets	\$ 28,503,899	\$ 3,282,337	\$ 559,776	\$ 32,346,012
<u>LIABILITIES</u>				
Accounts Payable	\$ 302,582	\$ 16,960	\$ 30,385	\$ 349,927
Payroll Deductions Payable	183,905	0	0	183,905
Contracts Payable	0	0	64,527	64,527
Due to Other Funds	0	0	39,233	39,233
Due to Primary Government	26,673	0	0	26,673
Total Liabilities	\$ 513,160	\$ 16,960	\$ 134,145	\$ 664,265
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 12,683,982	\$ 0	\$ 0	\$ 12,683,982
Deferred Delinquent Property Taxes	355,145	0	0	355,145
Other Deferred/Unavailable Revenue	937,300	0	0	937,300
Total Deferred Inflows of Resources	\$ 13,976,427	\$ 0	\$ 0	\$ 13,976,427
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 152,949	\$ 0	\$ 152,949
Restricted:				
Restricted for Education	196,428	3,112,428	121,516	3,430,372
Restricted for Capital Projects	0	0	4,115	4,115
Committed:				
Committed for Education	320,670	0	300,000	620,670
Assigned:				
Assigned for Education	1,550,895	0	0	1,550,895
Assigned for Capital Projects	7,937,205	0	0	7,937,205
Unassigned	4,009,114	0	0	4,009,114
Total Fund Balances	\$ 14,014,312	\$ 3,265,377	\$ 425,631	\$ 17,705,320
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 28,503,899	\$ 3,282,337	\$ 559,776	\$ 32,346,012

Exhibit I-3

Hamblen County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Hamblen County School Department
June 30, 2013

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$	17,705,320
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,999,016	
Add: construction in progress		2,393,845	
Add: buildings and improvements net of accumulated depreciation		41,328,874	
Add: other capital assets net of accumulated depreciation		<u>5,056,105</u>	51,777,840
(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	\$	(11,779,303)	
Less: compensated absences payable		(202,748)	
Less: retirement incentive		(180,852)	
Less: retirement honorarium		<u>(903,614)</u>	(13,066,517)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,292,445</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>57,709,088</u></u>

Exhibit I-4

Hamblen County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

	Major Funds		Nonmajor Funds	
	General Purpose School	Central Cafeteria	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 25,392,934	\$ 0	\$ 0	\$ 25,392,934
Charges for Current Services	669,903	1,378,562	0	2,048,465
Other Local Revenues	161,903	42,188	381	204,472
State of Tennessee	42,864,801	54,601	0	42,919,402
Federal Government	313,363	4,010,875	6,574,063	10,898,301
Total Revenues	<u>\$ 69,402,904</u>	<u>\$ 5,486,226</u>	<u>\$ 6,574,444</u>	<u>\$ 81,463,574</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 45,149,037	\$ 0	\$ 5,458,388	\$ 50,607,425
Support Services	20,435,182	53,200	1,173,243	21,661,625
Operation of Non-Instructional Services	1,009,974	5,150,200	0	6,160,174
Capital Outlay	3,885,682	0	0	3,885,682
Debt Service:				
Other Debt Service	500,000	0	0	500,000
Capital Projects	0	0	557,874	557,874
Total Expenditures	<u>\$ 70,979,875</u>	<u>\$ 5,203,400</u>	<u>\$ 7,189,505</u>	<u>\$ 83,372,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,576,971)</u>	<u>\$ 282,826</u>	<u>\$ (615,061)</u>	<u>\$ (1,909,206)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 43,202	\$ 0	\$ 0	\$ 43,202
Transfers In	39,233	0	0	39,233
Transfers Out	0	0	(39,233)	(39,233)
Total Other Financing Sources (Uses)	<u>\$ 82,435</u>	<u>\$ 0</u>	<u>\$ (39,233)</u>	<u>\$ 43,202</u>
Net Change in Fund Balances	\$ (1,494,536)	\$ 282,826	\$ (654,294)	\$ (1,866,004)
Fund Balance, July 1, 2012	15,508,848	2,982,551	1,079,925	19,571,324
Fund Balance, June 30, 2013	<u>\$ 14,014,312</u>	<u>\$ 3,265,377</u>	<u>\$ 425,631</u>	<u>\$ 17,705,320</u>

Exhibit I-5

Hamblen County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (1,866,004)
(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	\$ 3,537,884	
Less: current-year depreciation expense	<u>(2,818,311)</u>	719,573
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 1,292,445	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(1,458,844)</u>	(166,399)
(3) 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 compensated absences payable	\$ (9,464)	
Change in other postemployment benefits liability	(1,675,088)	
Change in retirement incentive	3,768	
Change in retirement honorarium	<u>(61,468)</u>	<u>(1,742,252)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (3,055,082)</u>

Exhibit I-6

Hamblen County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hamblen County School Department
June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 414,247	\$ 68,642	\$ 482,889
Due from Other Governments	76,887	0	76,887
Total Assets	<u>\$ 491,134</u>	<u>\$ 68,642</u>	<u>\$ 559,776</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 30,385	\$ 0	\$ 30,385
Contracts Payable	0	64,527	64,527
Due to Other Funds	39,233	0	39,233
Total Liabilities	<u>\$ 69,618</u>	<u>\$ 64,527</u>	<u>\$ 134,145</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 121,516	\$ 0	\$ 121,516
Restricted for Capital Projects	0	4,115	4,115
Committed:			
Committed for Education	300,000	0	300,000
Total Fund Balances	<u>\$ 421,516</u>	<u>\$ 4,115</u>	<u>\$ 425,631</u>
Total Liabilities and Fund Balances	<u>\$ 491,134</u>	<u>\$ 68,642</u>	<u>\$ 559,776</u>

Exhibit I-7

Hamblen County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	Other Capital Projects - QSCB	Total	
<u>Revenues</u>					
Other Local Revenues	\$ 0	\$ 333	\$ 48	\$ 381	\$ 381
Federal Government	6,574,063	0	0	0	6,574,063
Total Revenues	<u>\$ 6,574,063</u>	<u>\$ 333</u>	<u>\$ 48</u>	<u>\$ 381</u>	<u>\$ 6,574,444</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 5,458,388	\$ 0	\$ 0	\$ 0	\$ 5,458,388
Support Services	1,173,243	0	0	0	1,173,243
Capital Projects	0	438,810	119,064	557,874	557,874
Total Expenditures	<u>\$ 6,631,631</u>	<u>\$ 438,810</u>	<u>\$ 119,064</u>	<u>\$ 557,874</u>	<u>\$ 7,189,505</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (57,568)</u>	<u>\$ (438,477)</u>	<u>\$ (119,016)</u>	<u>\$ (557,493)</u>	<u>\$ (615,061)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (39,233)	\$ 0	\$ 0	\$ 0	\$ (39,233)
Total Other Financing Sources (Uses)	<u>\$ (39,233)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (39,233)</u>
Net Change in Fund Balances	\$ (96,801)	\$ (438,477)	\$ (119,016)	\$ (557,493)	\$ (654,294)
Fund Balance, July 1, 2012	518,317	442,592	119,016	561,608	1,079,925
Fund Balance, June 30, 2013	<u>\$ 421,516</u>	<u>\$ 4,115</u>	<u>\$ 0</u>	<u>\$ 4,115</u>	<u>\$ 425,631</u>

Exhibit I-8

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hamblen County School Department
General Purpose School Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 25,392,934	\$ 0	\$ 0	\$ 25,392,934	\$ 25,486,740	\$ 25,486,740	\$ (93,806)
Charges for Current Services	669,903	0	0	669,903	504,480	504,480	165,423
Other Local Revenues	161,903	0	0	161,903	20,600	90,011	71,892
State of Tennessee	42,864,801	0	0	42,864,801	41,902,056	42,638,889	225,912
Federal Government	313,363	0	0	313,363	162,559	321,081	(7,718)
Total Revenues	\$ 69,402,904	\$ 0	\$ 0	\$ 69,402,904	\$ 68,076,435	\$ 69,041,201	\$ 361,703
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 36,336,922	(94,301)	\$ 280,326	\$ 36,522,947	\$ 37,123,424	\$ 37,259,573	\$ 736,626
Special Education Program	5,562,109	(5,774)	2,796	5,559,131	5,806,586	5,935,645	376,514
Vocational Education Program	2,961,345	(1,738)	6,162	2,965,769	3,036,278	3,036,278	70,509
Student Body Education Program	147,478	(1,199)	0	146,279	184,570	184,570	38,291
Adult Education Program	81,960	0	0	81,960	95,840	86,530	4,570
Other	59,223	0	0	59,223	59,223	59,223	0
<u>Support Services</u>							
Attendance	2,763	0	0	2,763	5,850	5,850	3,087
Health Services	597,980	(12,349)	386	586,017	598,690	598,690	12,673
Other Student Support	1,200,575	0	23,774	1,224,349	1,257,071	1,262,327	37,978
Regular Instruction Program	686,767	(80,883)	13,322	619,206	631,017	663,667	44,461
Special Education Program	263,597	0	214	263,811	261,772	301,772	37,961
Vocational Education Program	144,503	0	0	144,503	144,867	144,867	364
Adult Programs	86,495	0	0	86,495	93,234	88,495	2,000
Other Programs	658,726	0	0	658,726	0	658,726	0
Board of Education	941,039	(2,266)	6,127	944,900	1,082,314	1,082,314	137,414
Director of Schools	597,210	(389)	2,145	598,966	611,694	611,694	12,728
Office of the Principal	3,802,934	0	0	3,802,934	3,926,811	3,926,811	123,877
Fiscal Services	633,467	(85)	4,784	638,166	680,163	680,163	41,997

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 5,342,371	\$ (400)	\$ 7,120	\$ 5,349,091	\$ 6,023,869	\$ 6,023,869	\$ 674,778
Maintenance of Plant	1,379,472	(9,275)	48,246	1,418,443	1,437,672	1,437,672	19,229
Transportation	2,914,808	(9,864)	14,145	2,919,089	3,006,211	3,006,211	87,122
Central and Other	1,182,475	(73,273)	18,937	1,128,139	1,134,715	1,202,604	74,465
<u>Operation of Non-Instructional Services</u>							
Community Services	247,308	(42)	2,866	250,132	303,241	303,241	53,109
Early Childhood Education	762,666	(13,954)	1,880	750,592	744,032	759,912	9,320
<u>Capital Outlay</u>							
Regular Capital Outlay	3,885,682	(2,220,966)	1,253,205	2,917,921	3,468,180	3,505,737	587,816
Interest on Debt	0	0	0	0	500,000	0	0
Education							
Other Debt Service							
Education	500,000	0	0	500,000	0	500,000	0
Total Expenditures	\$ 70,979,875	\$ (2,526,758)	\$ 1,686,435	\$ 70,139,552	\$ 72,217,324	\$ 73,326,441	\$ 3,186,889
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ (1,576,971)	\$ 2,526,758	\$ (1,686,435)	\$ (736,648)	\$ (4,140,889)	\$ (4,285,240)	\$ 3,548,592
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 43,202	\$ 0	\$ 0	\$ 43,202	\$ 10,000	\$ 47,557	\$ (4,355)
Transfers In	39,233	0	0	39,233	64,751	31,751	7,482
Transfers Out	0	0	0	0	(61,244)	(28,244)	28,244
Total Other Financing Sources	\$ 82,435	\$ 0	\$ 0	\$ 82,435	\$ 13,507	\$ 51,064	\$ 31,371
<u>Net Change in Fund Balance</u> <u>Fund Balance, July 1, 2012</u>	\$ (1,494,536)	\$ 2,526,758	\$ (1,686,435)	\$ (654,213)	\$ (4,127,382)	\$ (4,234,176)	\$ 3,579,963
	15,508,848	(2,526,758)	0	12,982,090	15,447,983	15,447,983	(2,465,893)
<u>Fund Balance, June 30, 2013</u>	\$ 14,014,312	\$ 0	\$ (1,686,435)	\$ 12,327,877	\$ 11,320,601	\$ 11,213,807	\$ 1,114,070

Exhibit I-9

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hamblen County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Revenues							
Federal Government	\$ 6,574,063	\$ 0	\$ 0	\$ 6,574,063	\$ 6,534,471	\$ 7,698,407	\$ (1,124,344)
Total Revenues	\$ 6,574,063	\$ 0	\$ 0	\$ 6,574,063	\$ 6,534,471	\$ 7,698,407	\$ (1,124,344)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 2,901,886	\$ (23,873)	\$ 3,720	\$ 2,881,733	\$ 2,731,981	\$ 3,327,555	\$ 445,822
Special Education Program	2,421,579	0	3,991	2,425,570	2,299,290	2,647,228	221,658
Vocational Education Program	134,923	(798)	0	134,125	134,239	134,125	0
<u>Support Services</u>							
Other Student Support	151,429	(2,334)	5,297	154,392	149,535	171,173	16,781
Regular Instruction Program	935,025	(5,270)	696	930,451	1,429,336	1,454,841	524,390
Special Education Program	52,613	(11,424)	2,009	43,198	500	43,198	0
Vocational Education Program	4,063	0	0	4,063	4,500	4,063	0
Board of Education	0	0	0	0	10,550	0	0
Transportation	30,113	0	0	30,113	4,000	46,852	16,739
Total Expenditures	\$ 6,631,631	\$ (43,699)	\$ 15,713	\$ 6,603,645	\$ 6,763,931	\$ 7,829,035	\$ 1,225,390
Excess (Deficiency) of Revenues Over Expenditures	\$ (57,568)	\$ 43,699	\$ (15,713)	\$ (29,582)	\$ (229,460)	\$ (130,628)	\$ 101,046
<u>Other Financing Sources (Uses)</u>							
Transfers In	0	0	0	0	162,622	0	0
Transfers Out	(39,233)	0	0	(39,233)	(207,779)	(43,988)	4,755
Total Other Financing Sources	\$ (39,233)	\$ 0	\$ 0	\$ (39,233)	\$ (45,157)	\$ (43,988)	\$ 4,755
Net Change in Fund Balance	\$ (96,801)	\$ 43,699	\$ (15,713)	\$ (68,815)	\$ (274,617)	\$ (174,616)	\$ 105,801
Fund Balance, July 1, 2012	518,317	(43,699)	0	474,618	274,617	174,616	300,002
Fund Balance, June 30, 2013	\$ 421,516	\$ 0	\$ (15,713)	\$ 405,803	\$ 0	\$ 0	\$ 405,803

Exhibit I-10

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hamblen County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>							
Charges for Current Services	\$ 1,378,562	\$ 0	\$ 0	\$ 1,378,562	\$ 1,400,725	\$ 1,400,725	\$ (22,163)
Other Local Revenues	42,188	0	0	42,188	3,500	3,500	38,688
State of Tennessee	54,601	0	0	54,601	55,300	55,300	(699)
Federal Government	4,010,875	0	0	4,010,875	4,176,700	4,176,700	(165,825)
Total Revenues	\$ 5,486,226	\$ 0	\$ 0	\$ 5,486,226	\$ 5,636,225	\$ 5,636,225	\$ (149,999)
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 53,200	\$ 0	\$ 0	\$ 53,200	\$ 56,200	\$ 56,200	\$ 3,000
<u>Operation of Non-Instructional Services</u>							
Food Service	5,150,200	(147,793)	197,444	5,199,851	6,022,189	6,022,189	822,338
Total Expenditures	\$ 5,203,400	\$ (147,793)	\$ 197,444	\$ 5,253,051	\$ 6,078,389	\$ 6,078,389	\$ 825,338
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 282,826	\$ 147,793	\$ (197,444)	\$ 233,175	\$ (442,164)	\$ (442,164)	\$ 675,339
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,000	\$ 0	\$ 0
Transfers Out	0	0	0	0	(33,000)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 282,826	\$ 147,793	\$ (197,444)	\$ 233,175	\$ (442,164)	\$ (442,164)	\$ 675,339
Fund Balance, July 1, 2012	2,982,551	(147,793)	0	2,834,758	2,844,489	2,844,489	(9,731)
Fund Balance, June 30, 2013	\$ 3,265,377	\$ 0	\$ (197,444)	\$ 3,067,933	\$ 2,402,325	\$ 2,402,325	\$ 665,608

MISCELLANEOUS SCHEDULES

Exhibit J-1

Hamblen County, Tennessee
Schedule of Changes in Long-term Other Loans and Bonds
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Paid and/or	
					Outstanding 7-1-12	Matured During Period 6-30-13
<u>OTHER LOANS PAYABLE</u>						
<u>Payable through General Debt Service Fund</u>						
Local Government Public Improvement Bonds, Series E-4-A - Refunding	\$ 10,100,000	Variable (1)	8-13-08	6-1-25	\$ 10,100,000	\$ 0
Local Government Public Improvement Bonds, Series VII-C-2 - Refunding	20,200,000	Variable (1)	11-24-08	6-1-17	11,410,000	2,555,000
Qualified School Construction Bonds	11,280,000	1.515 %	12-17-09	7-1-26	9,989,601	703,854
Total Payable through General Debt Service Fund					<u>\$ 31,499,601</u>	<u>\$ 3,258,854</u>
Total Other Loans Payable					<u>\$ 31,499,601</u>	<u>\$ 3,258,854</u>

<u>BONDS PAYABLE</u>						
Payable through General Debt Service Fund						
General Obligation Refunding Bonds, Series 2009	10,860,000	3 to 5	9-23-09	6-1-19	\$ 10,565,000	\$ 110,000
General Obligation Bonds, Series 2010	2,375,000	2	8-11-10	6-1-16	1,065,000	260,000
Total Payable through General Debt Service Fund					<u>\$ 11,630,000</u>	<u>\$ 370,000</u>
Total Bonds Payable					<u>\$ 11,630,000</u>	<u>\$ 370,000</u>

(1) These issues were swapped to a synthetic fixed rate by execution of swap agreements in prior years.

Exhibit J-2

Hamblen County, TennesseeSchedule of Long-term Debt Requirements by Year

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 3,393,854	\$ 1,055,581	\$ 110,908	\$ 4,560,343
2015	3,533,854	921,000	102,242	4,557,096
2016	3,678,854	779,415	93,124	4,551,393
2017	1,063,854	630,576	83,540	1,777,970
2018	703,854	612,565	82,380	1,398,799
2019	703,854	612,565	82,380	1,398,799
2020	2,173,854	612,565	82,380	2,868,799
2021	2,253,854	548,282	70,390	2,872,526
2022	2,333,854	480,500	57,748	2,872,102
2023	2,423,854	409,220	44,453	2,877,527
2024	2,518,854	334,005	30,424	2,883,283
2025	2,618,854	254,635	15,618	2,889,107
2026	773,140	170,892	0	944,032
2027	66,359	14,241	0	80,600
Total	\$ 28,240,747	\$ 7,436,042	\$ 855,587	\$ 36,532,376

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 375,000	\$ 467,600	\$ 842,600
2015	380,000	459,000	839,000
2016	380,000	450,300	830,300
2017	2,890,000	441,600	3,331,600
2018	3,575,000	326,000	3,901,000
2019	3,660,000	183,000	3,843,000
Total	\$ 11,260,000	\$ 2,327,500	\$ 13,587,500

Exhibit J-3

Hamblen County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Matching funds for grant	\$ 25,000
Total Transfers Primary Government			<u>\$ 25,000</u>
<u>DISCRETELY PRESENTED HAMBLEN</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 39,233
Total Transfers Discretely Presented Hamblen County School Department			<u>\$ 39,233</u>

Exhibit J-4

Hamblen County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 84,387	\$ 50,000	RLI Insurance Company
Highway Commissioner	Section 8-24-102, TCA	77,629	100,000	"
Director of Schools	State Board of Education and County Board of Education			
Trustee	Section 8-24-102, TCA	115,507 (1)	50,000	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, TCA	70,572	2,262,100	"
Finance Director	Section 8-24-102, TCA	72,604 (2)	10,000	RLI Insurance Company
County Clerk	County Commission	69,700	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	70,572	50,000	"
Clerk and Master	Section 8-24-102, TCA	70,572	50,000	"
Register of Deeds	Section 8-24-102, TCA, and Chancery Court Judge	70,572 (3)	50,000	Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, TCA	70,572	25,000	RLI Insurance Company
	Section 8-24-102, TCA, and County Commission	80,968 (4)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			250,000	Travelers Indemnity Company
Public Employee Dishonesty - School Department			250,000	Great American Insurance Company

- (1) Includes a chief executive officer training supplement of \$1,000. Does not include a travel allowance of \$10,200; a 403(b) contribution of \$7,200; and life insurance premiums of \$384.
- (2) Includes a travel related supplement of \$2,032.
- (3) Does not include special commissioner fees of \$1,500.
- (4) Includes \$2,739 for serving as workhouse superintendent and \$600 for a law enforcement training supplement.

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 6,360,397	\$ 1,144,917	\$ 0	\$ 0	\$ 0
Discount on Property Taxes	49,151	0	0	0	0
Trustee's Collections - Prior Year	245,557	40,707	0	0	0
Trustee's Collections - Bankruptcy	9,293	374	0	0	0
Circuit/Clerk & Master Collections - Prior Years	99,571	13,825	0	0	0
Interest and Penalty	91,275	14,054	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	639	281	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	89,274	0	0	0	0
Payments in-Lieu-of Taxes - Other	13,204	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	209,855	1,066,301	0	0	0
Hotel/Motel Tax	8,116	0	0	0	0
Wheel Tax	765,788	0	0	0	0
Litigation Tax - General	139,179	0	0	0	0
Litigation Tax - Special Purpose	60,363	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courtroom Security	55,075	0	0	0	0
Business Tax	896,478	0	0	0	0
Mineral Severance Tax	0	0	0	0	57,808
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	0
Wholesale Beer Tax	0	130,197	0	0	0
Interstate Telecommunications Tax	2,848	0	0	0	0
Total Local Taxes	\$ 9,096,063	\$ 2,410,656	\$ 0	\$ 0	\$ 57,808
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 5,709	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	343,373	0	0	0	0
<u>Permits</u>					
Beer Permits	0	1,821	0	0	0
Building Permits	85,140	0	0	0	0
Total Licenses and Permits	\$ 434,222	\$ 1,821	\$ 0	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 1,544	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	18,543	0	0	0	0
Drug Control Fines	1,283	0	6,049	0	0
Drug Court Fees	2,276	0	0	0	0
Jail Fees	3,980	0	0	0	0
DUI Treatment Fines	1,360	0	0	0	0
Data Entry Fee - Circuit Court	3,884	0	0	0	0
<u>Criminal Court</u>					
Drug Control Fines	0	0	2,020	0	0
<u>General Sessions Court</u>					
Fines	44,421	0	0	0	0
Fines for Littering	285	0	0	0	0
Officers Costs	76,548	0	0	0	0
Game and Fish Fines	419	0	0	0	0
Drug Control Fines	9,289	0	9,793	0	0
Drug Court Fees	8,450	0	0	0	0
Jail Fees	28,945	0	0	0	0
Interpreter Fees	17	0	0	0	0
DUI Treatment Fines	13,033	0	0	0	0
Data Entry Fee - General Sessions Court	26,047	0	0	0	0
Courtroom Security Fee	1,511	0	0	0	0
<u>Juvenile Court</u>					
Fines	7,180	0	0	0	0
Officers Costs	3,869	0	0	0	0
Interpreter Fees	255	0	0	0	0
Data Entry Fee - Juvenile Court	2,394	0	0	0	0
<u>Other Courts - In-county</u>					
Drug Court Fees	1,823	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	11,775	0	32,476	0	0
Other Fines, Forfeitures, and Penalties	28	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 269,159	\$ 0	\$ 50,388	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 280,608	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>					
<u>General Service Charges (Cont.)</u>					
Patient Charges	\$ 7,771	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	11,124	0	0	0	0
Water Tap Sales	0	0	0	0	0
<u>Fees</u>					
Recreation Fees	44,304	0	0	0	0
Copy Fees	7,448	0	0	0	0
Telephone Commissions	60,563	0	0	0	0
Vending Machine Collections	197	0	0	0	0
Tourism Fees	68,715	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	452,009	0
Data Processing Fee - Register	19,426	0	0	0	0
Data Processing Fee - Sheriff	11,600	0	0	0	0
Sexual Offender Registration Fees - Sheriff	4,500	0	0	0	0
Data Processing Fee - County Clerk	5,220	0	0	0	0
Total Charges for Current Services	\$ 521,476	\$ 0	\$ 0	\$ 452,009	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 1,380	\$ 1,028	\$ 878	\$ 0	\$ 10,000
Lease/Rentals	28,717	0	0	0	0
Sale of Materials and Supplies	0	2,099	0	0	1,266
Commissary Sales	13,913	0	0	0	0
Sale of Maps	2,110	0	0	0	0
Sale of Recycled Materials	0	0	0	0	204
Retirees' Insurance Payments	11,887	0	0	0	0
Miscellaneous Refunds	33,620	4,119	900	0	10,326
<u>Nonrecurring Items</u>					
Sale of Equipment	20,792	9,272	31,761	0	25,158
Damages Recovered from Individuals	0	0	902	0	93
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	0
Total Other Local Revenues	\$ 112,419	\$ 16,518	\$ 34,441	\$ 0	\$ 47,047
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Clerk and Master	\$ 25,425	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	705,286	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 758,264	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	296,573	0	0	0	0
General Sessions Court Clerk	532,940	0	0	0	0
Juvenile Court Clerk	46,727	0	0	0	0
Register	252,267	0	0	0	0
Sheriff	34,932	0	0	0	0
Total Fees Received from County Officials	\$ 2,652,414	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	58,654	0	0	0	0
Other General Government Grants	5,000	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	17,400	0	0	0	0
Health and Welfare Grants					
Health Department Programs	436,950	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	298,717
Litter Program	47,967	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	138,971	0	0	0	0
Beer Tax	0	18,586	0	0	0
Alcoholic Beverage Tax	73,162	0	0	0	0
State Revenue Sharing - T.V.A.	421,189	0	0	0	0
Contracted Prisoner Boarding	1,373,697	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,597,597
Petroleum Special Tax	0	0	0	0	45,128
Registrar's Salary Supplement	15,164	0	0	0	0
Other State Grants	49,440	0	0	0	0
Total State of Tennessee	\$ 2,642,094	\$ 18,586	\$ 0	\$ 0	\$ 1,941,442
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	26,881	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
Federal Government (Cont.)					
<u>Federal Through State (Cont.)</u>					
Homeland Security Grants	\$ 5,215 \$	0 \$	0 \$	0 \$	0
Other Federal through State	14,972	0	0	0	0
<u>Direct Federal Revenue</u>					
Asset Forfeiture Funds	0	0	479	0	0
Other Direct Federal Revenue	48,105	0	6,683	0	0
Total Federal Government	\$ 95,173 \$	0 \$	7,162 \$	0 \$	0
Other Governments and Citizens Groups					
<u>Other Governments</u>					
Contributions	\$ 0 \$	0 \$	9,214 \$	0 \$	0
Contracted Services	150,850	0	0	0	0
<u>Citizens Groups</u>					
Donations	7,228	0	0	0	0
Total Other Governments and Citizens Groups	\$ 158,078 \$	0 \$	9,214 \$	0 \$	0
Total	\$ 15,981,098 \$	2,447,581 \$	101,155 \$	452,009 \$	2,046,297

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	General Capital Projects	Highway Capital Projects	Other Capital Projects - QSCB	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,009,809	\$ 0	\$ 0	\$ 0	\$ 0	11,515,123
Discount on Property Taxes	0	0	0	0	0	49,151
Trustee's Collections - Prior Year	144,131	0	0	0	0	430,395
Trustee's Collections - Bankruptcy	5,458	0	0	0	0	15,125
Circuit/Clerk & Master Collections - Prior Years	58,444	0	0	0	0	171,840
Interest and Penalty	53,958	0	0	0	0	159,287
Payments in-Lieu-of Taxes - T.V.A.	383	0	0	0	0	1,303
Payments in-Lieu-of Taxes - Local Utilities	56,269	0	0	0	0	145,543
Payments in-Lieu-of Taxes - Other	7,750	0	0	0	0	20,954
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	1,276,156
Hotel/Motel Tax	0	0	0	0	0	8,116
Wheel Tax	0	0	0	0	0	765,788
Litigation Tax - General	0	0	0	0	0	139,179
Litigation Tax - Special Purpose	0	0	0	0	0	60,363
Litigation Tax - Jail, Workhouse, or Courthouse	50,659	0	0	0	0	50,659
Litigation Tax - Courtroom Security	0	0	0	0	0	55,075
Business Tax	0	0	0	0	0	896,478
Mineral Severance Tax	0	0	0	0	0	57,808
<u>Statutory Local Taxes</u>						
Bank Excise Tax	1,557	0	0	0	0	1,557
Wholesale Beer Tax	0	0	0	0	0	130,197
Interstate Telecommunications Tax	0	0	0	0	0	2,848
Total Local Taxes	\$ 4,388,418	\$ 0	\$ 0	\$ 0	\$ 0	15,952,945
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,709
Cable TV Franchise	0	0	0	0	0	343,373
<u>Permits</u>						
Beer Permits	0	0	0	0	0	1,821
Building Permits	0	0	0	0	0	85,140
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	436,043

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	General Capital Projects	Highway Capital Projects	Other Capital Projects - QSCB	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$	0	0	0	0	1,544
Officers Costs		0	0	0	0	18,543
Drug Control Fines		0	0	0	0	7,332
Drug Court Fees		0	0	0	0	2,276
Jail Fees		6,211	0	0	0	10,191
DUI Treatment Fines		0	0	0	0	1,360
Data Entry Fee - Circuit Court		0	0	0	0	3,884
<u>Criminal Court</u>						
Drug Control Fines		0	0	0	0	2,020
<u>General Sessions Court</u>						
Fines		0	0	0	0	44,421
Fines for Littering		0	0	0	0	285
Officers Costs		0	0	0	0	76,548
Game and Fish Fines		0	0	0	0	419
Drug Control Fines		0	0	0	0	19,082
Drug Court Fees		0	0	0	0	8,450
Jail Fees		44,715	0	0	0	73,660
Interpreter Fees		0	0	0	0	17
DUI Treatment Fines		0	0	0	0	13,033
Data Entry Fee - General Sessions Court		0	0	0	0	26,047
Courtroom Security Fee		0	0	0	0	1,511
<u>Juvenile Court</u>						
Fines		0	0	0	0	7,180
Officers Costs		0	0	0	0	3,869
Interpreter Fees		0	0	0	0	255
Data Entry Fee - Juvenile Court		0	0	0	0	2,394
<u>Other Courts - In-county</u>						
Drug Court Fees		0	0	0	0	1,823
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property		0	0	0	0	44,251
Other Fines, Forfeitures, and Penalties		0	0	0	0	28
Total Fines, Forfeitures, and Penalties	\$	50,926	0	0	0	370,423
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Other Employee Benefit Charges/Contributions	\$	0	0	0	0	280,608

(Continued)

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

Debt Service Fund	Capital Projects Funds					Total
	General Debt Service	General Capital Projects	Highway Capital Projects	Other Capital Projects - QSCB		
<u>Charges for Current Services (Cont.)</u>						
<u>General Service Charges (Cont.)</u>						
Patient Charges	\$ 0	\$ 0	0	\$ 0	\$ 0	7,771
Work Release Charges for Board	0	0	0	0	0	11,124
Water Tap Sales	0	12,500	0	0	0	12,500
<u>Fees</u>						
Recreation Fees	0	0	0	0	0	44,304
Copy Fees	0	0	0	0	0	7,448
Telephone Commissions	0	0	0	0	0	60,563
Vending Machine Collections	0	0	0	0	0	197
Tourism Fees	0	0	0	0	0	68,715
Constitutional Officers' Fees and Commissions	0	0	0	0	0	452,009
Data Processing Fee - Register	0	0	0	0	0	19,426
Data Processing Fee - Sheriff	0	0	0	0	0	11,600
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	4,500
Data Processing Fee - County Clerk	0	0	0	0	0	5,220
Total Charges for Current Services	\$ 0	\$ 12,500	\$ 0	\$ 0	\$ 0	\$ 985,985
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 180,224	\$ 0	\$ 0	\$ 0	\$ 36	\$ 193,546
Lease/Rentals	0	0	0	0	0	28,717
Sale of Materials and Supplies	0	0	0	0	0	3,365
Commissary Sales	0	0	0	0	0	13,913
Sale of Maps	0	0	0	0	0	2,110
Sale of Recycled Materials	0	0	0	0	0	204
Retirees' Insurance Payments	0	0	0	0	0	11,887
Miscellaneous Refunds	0	0	0	0	0	48,965
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	0	86,983
Damages Recovered from Individuals	0	0	0	0	0	995
<u>Other Local Revenues</u>						
Other Local Revenues	500,000	0	0	0	0	500,000
Total Other Local Revenues	\$ 680,224	\$ 0	\$ 0	\$ 0	\$ 36	\$ 890,685
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Clerk and Master	\$ 0	\$ 0	0	\$ 0	0	\$ 25,425
Trustee	0	0	0	0	0	705,286

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	General Capital Projects	Highway Capital Projects	Other Capital Projects - QSCB	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$	0 \$	0 \$	0 \$	0 \$	758,264
Circuit Court Clerk		0	0	0	0	296,573
General Sessions Court Clerk		0	0	0	0	532,940
Juvenile Court Clerk		0	0	0	0	46,727
Register		0	0	0	0	252,267
Sheriff		0	0	0	0	34,932
Total Fees Received from County Officials	\$	0 \$	0 \$	0 \$	0 \$	2,652,414
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$	0 \$	0 \$	0 \$	0 \$	4,500
Solid Waste Grants		0	0	0	0	58,654
Other General Government Grants		0	0	0	0	5,000
<u>Public Safety Grants</u>						
Law Enforcement Training Programs		0	0	0	0	17,400
Health and Welfare Grants		0	0	0	0	436,950
<u>Public Works Grants</u>						
State Aid Program		0	0	0	0	298,717
Litter Program		0	0	0	0	47,967
<u>Other State Revenues</u>						
Income Tax		0	0	0	0	138,971
Beer Tax		0	0	0	0	18,586
Alcoholic Beverage Tax		0	0	0	0	73,162
State Revenue Sharing - T.V.A.		0	0	464,956	0	886,145
Contracted Prisoner Boarding		0	0	0	0	1,373,697
Gasoline and Motor Fuel Tax		0	0	0	0	1,597,597
Petroleum Special Tax		0	0	0	0	45,128
Registrar's Salary Supplement		0	0	0	0	15,164
Other State Grants		0	50	0	0	49,490
Total State of Tennessee	\$	0 \$	50 \$	464,956 \$	0 \$	5,067,128
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$	0 \$	155,167 \$	0 \$	0 \$	155,167
Civil Defense Reimbursement		0	0	0	0	26,881

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General Debt Service	General Capital Projects	Highway Capital Projects	Other Capital Projects - QSCB	
Federal Government (Cont.)						
<u>Federal Through State (Cont.)</u>						
Homeland Security Grants	\$	0 \$	0 \$	0 \$	0 \$	5,215
Other Federal through State		0	252,952	0	0	267,924
<u>Direct Federal Revenue</u>						
Asset Forfeiture Funds		0	0	0	0	479
Other Direct Federal Revenue		0	0	0	0	54,788
Total Federal Government	\$	0 \$	408,119 \$	0 \$	0 \$	510,454
Other Governments and Citizens Groups						
<u>Other Governments</u>						
Contributions	\$	0 \$	0 \$	0 \$	0 \$	9,214
Contracted Services		0	0	0	0	150,850
<u>Citizens Groups</u>						
Donations		0	12,500	0	0	19,728
Total Other Governments and Citizens Groups	\$	0 \$	12,500 \$	0 \$	0 \$	179,792
Total	\$	5,119,568 \$	433,169 \$	464,956 \$	36 \$	27,045,869

Hamblen County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

	Special Revenue Funds			Capital Projects Funds		
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Other Capital Projects - QSCB	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 12,305,929	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,305,929
Trustee's Collections - Prior Year	485,827	0	0	0	0	485,827
Trustee's Collections - Bankruptcy	17,574	0	0	0	0	17,574
Circuit/Clerk & Master Collections - Prior Years	196,977	0	0	0	0	196,977
Interest and Penalty	178,145	0	0	0	0	178,145
Payments in-Lieu-of Taxes - T.V.A.	1,252	0	0	0	0	1,252
Payments in-Lieu-of Taxes - Local Utilities	172,723	0	0	0	0	172,723
Payments in-Lieu-of Taxes - Other	26,121	0	0	0	0	26,121
<u>County Local Option Taxes</u>						
Local Option Sales Tax	11,290,186	0	0	0	0	11,290,186
Wheel Tax	706,881	0	0	0	0	706,881
<u>Statutory Local Taxes</u>						
Bank Excise Tax	6,229	0	0	0	0	6,229
Interstate Telecommunications Tax	5,090	0	0	0	0	5,090
Total Local Taxes	\$ 25,392,934	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,392,934
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 98,218	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,218
Tuition - Other	243,554	0	0	0	0	243,554
Lunch Payments - Children	0	0	863,888	0	0	863,888
Lunch Payments - Adults	0	0	103,159	0	0	103,159
Income from Breakfast	0	0	213,188	0	0	213,188
A la carte Sales	0	0	192,175	0	0	192,175
Receipts from Individual Schools	182,636	0	0	0	0	182,636
<u>Other Charges for Services</u>						
Other Charges for Services	145,495	0	6,152	0	0	151,647
Total Charges for Current Services	\$ 669,903	\$ 0	\$ 1,378,562	\$ 0	\$ 0	\$ 2,048,465

(Continued)

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

	Special Revenue Funds			Capital Projects Funds		
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Other Capital Projects - QSCB	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 5,343	\$ 0	\$ 42,188	\$ 333	\$ 13	\$ 47,877
Lease/Rentals	3,250	0	0	0	0	3,250
Sale of Materials and Supplies	3,620	0	0	0	0	3,620
Refund of Telecommunication and Internet Fees (E-Rate)	29,411	0	0	0	0	29,411
Miscellaneous Refunds	44,218	0	0	0	0	44,218
<u>Nonrecurring Items</u>						
Sale of Equipment	13,611	0	0	0	0	13,611
Sale of Property	5,000	0	0	0	0	5,000
Damages Recovered from Individuals	1,650	0	0	0	0	1,650
Contributions and Gifts	54,672	0	0	0	35	54,707
<u>Other Local Revenues</u>						
Other Local Revenues	1,128	0	0	0	0	1,128
Total Other Local Revenues	\$ 161,903	\$ 0	\$ 42,188	\$ 333	\$ 48	\$ 204,472
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 658,726	\$ 0	\$ 0	\$ 0	\$ 0	\$ 658,726
<u>State Education Funds</u>						
Basic Education Program	40,917,719	0	0	0	0	40,917,719
Early Childhood Education	626,361	0	0	0	0	626,361
School Food Service	0	0	54,601	0	0	54,601
Driver Education	8,724	0	0	0	0	8,724
Other State Education Funds	38,025	0	0	0	0	38,025
Career Ladder Program	292,215	0	0	0	0	292,215
Career Ladder - Extended Contract	76,300	0	0	0	0	76,300
<u>Other State Revenues</u>						
Other State Grants	246,731	0	0	0	0	246,731
Total State of Tennessee	\$ 42,864,801	\$ 0	\$ 54,601	\$ 0	\$ 0	\$ 42,919,402

(Continued)

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

	Special Revenue Funds			Capital Projects Funds		
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Other Capital Projects - QSCB	Total
Federal Government						
Federal Through State						
USDA School Lunch Program	\$	0 \$	2,750,684 \$	0 \$	0 \$	2,750,684
USDA - Commodities	0	0	292,089	0	0	292,089
Breakfast	0	0	958,558	0	0	958,558
USDA - Other	0	0	9,544	0	0	9,544
Adult Education State Grant Program	102,347	0	0	0	0	102,347
Vocational Education - Basic Grants to States	0	170,569	0	0	0	170,569
Other Vocational	41,957	0	0	0	0	41,957
Title I Grants to Local Education Agencies	0	2,853,658	0	0	0	2,853,658
Special Education - Grants to States	169,059	2,533,126	0	0	0	2,702,185
Special Education Preschool Grants	0	70,317	0	0	0	70,317
English Language Acquisition Grants	0	126,253	0	0	0	126,253
Education for Homeless Children and Youth	0	61,745	0	0	0	61,745
Eisenhower Professional Development State Grants	0	496,740	0	0	0	496,740
Race-to-the-Top - ARRA	0	261,655	0	0	0	261,655
Total Federal Government	\$ 313,363 \$	6,574,063 \$	4,010,875 \$	0 \$	0 \$	10,898,301
Total	\$ 69,402,904 \$	6,574,063 \$	5,486,226 \$	333 \$	48 \$	81,463,574

Exhibit J-7

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

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	71,200	
Social Security		2,218	
State Retirement		3,717	
Life Insurance		364	
Medical Insurance		76,841	
Employer Medicare		621	
Audit Services		18,763	
Contracts with Private Agencies		1,200	
Dues and Memberships		1,800	
Pauper Burials		1,500	
Office Supplies		814	
Other Charges		1,141	
Total County Commission			\$ 180,179

Board of Equalization

Board and Committee Members Fees	\$	2,785	
Total Board of Equalization			2,785

County Mayor/Executive

County Official/Administrative Officer	\$	84,387	
Assistant(s)		33,151	
Social Security		6,874	
State Retirement		10,766	
Life Insurance		56	
Medical Insurance		15,549	
Employer Medicare		1,608	
Communication		2,053	
Dues and Memberships		4,384	
Postal Charges		8,335	
Printing, Stationery, and Forms		996	
Rentals		3,264	
Travel		4,790	
Office Supplies		3,847	
Other Charges		4,583	
Office Equipment		1,343	
Total County Mayor/Executive			185,986

County Attorney

Other Salaries and Wages	\$	1,200	
Social Security		75	
Employer Medicare		17	
Legal Services		25,322	
Total County Attorney			26,614

Election Commission

County Official/Administrative Officer	\$	63,515	
Deputy(ies)		51,138	
Overtime Pay		2,125	
Election Commission		11,900	
Election Workers		41,457	

(Continued)

Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Election Commission (Cont.)

Social Security	\$	7,981	
State Retirement		10,499	
Life Insurance		82	
Medical Insurance		16,192	
Employer Medicare		1,866	
Communication		215	
Contracts with Private Agencies		20,540	
Dues and Memberships		250	
Legal Notices, Recording, and Court Costs		8,638	
Maintenance Agreements		12,257	
Postal Charges		3,507	
Printing, Stationery, and Forms		1,734	
Rentals		2,736	
Travel		2,233	
Office Supplies		3,153	
Office Equipment		1,516	
Total Election Commission			\$ 263,534

Register of Deeds

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		85,532	
Part-time Personnel		11,897	
Social Security		10,241	
State Retirement		14,297	
Life Insurance		109	
Medical Insurance		19,639	
Employer Medicare		2,395	
Communication		22	
Dues and Memberships		687	
Postal Charges		557	
Travel		108	
Office Supplies		7,850	
Data Processing Equipment		18,028	
Total Register of Deeds			241,934

Planning

County Official/Administrative Officer	\$	55,334	
Assistant(s)		31,322	
Deputy(ies)		37,657	
Secretary(ies)		27,812	
Board and Committee Members Fees		15,400	
Social Security		9,706	
State Retirement		13,932	
Life Insurance		113	
Medical Insurance		35,292	
Employer Medicare		2,270	
Communication		1,147	
Contracts with Government Agencies		3,460	
Dues and Memberships		310	
Legal Notices, Recording, and Court Costs		363	

(Continued)

Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Planning (Cont.)

Maintenance Agreements	\$	1,593	
Maintenance and Repair Services - Vehicles		186	
Postal Charges		173	
Printing, Stationery, and Forms		390	
Rentals		1,669	
Travel		20	
Gasoline		2,080	
Office Supplies		1,564	
Refunds		150	
In Service/Staff Development		641	
Data Processing Equipment		1,647	
Total Planning			\$ 244,231

Geographical Information Systems

Contracts with Private Agencies	\$	29,500	
Total Geographical Information Systems			29,500

Other Facilities

Supervisor/Director	\$	35,875	
Custodial Personnel		68,366	
Maintenance Personnel		79,562	
Part-time Personnel		11,499	
Overtime Pay		3,680	
Social Security		11,572	
State Retirement		17,177	
Life Insurance		183	
Medical Insurance		57,111	
Employer Medicare		2,718	
Communication		56,416	
Engineering Services		3,560	
Maintenance Agreements		36,602	
Maintenance and Repair Services - Buildings		24,854	
Maintenance and Repair Services - Equipment		1,378	
Maintenance and Repair Services - Vehicles		3,005	
Pest Control		3,592	
Other Contracted Services		193	
Custodial Supplies		20,207	
Electricity		239,244	
Gasoline		5,732	
Natural Gas		31,189	
Uniforms		5,409	
Maintenance Equipment		5,041	
Other Equipment		7,802	
Total Other Facilities			731,967

Preservation of Records

Supervisor/Director	\$	11,693	
Social Security		725	
Employer Medicare		170	
Postal Charges		34	

(Continued)

Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Preservation of Records (Cont.)

Rentals	\$	1,669	
Office Supplies		6,510	
Data Processing Equipment		10,562	
Total Preservation of Records			\$ 31,363

FinanceAccounting and Budgeting

County Official/Administrative Officer	\$	69,700	
Accountants/Bookkeepers		58,764	
Social Security		6,914	
State Retirement		11,766	
Life Insurance		84	
Medical Insurance		31,863	
Employer Medicare		1,617	
Dues and Memberships		937	
Printing, Stationery, and Forms		200	
Travel		960	
Office Supplies		3,820	
In Service/Staff Development		1,659	
Total Accounting and Budgeting			188,284

Purchasing

County Official/Administrative Officer	\$	14,511	
Purchasing Personnel		28,002	
Social Security		2,422	
State Retirement		3,895	
Life Insurance		51	
Medical Insurance		7,790	
Employer Medicare		566	
Advertising		253	
Communication		4	
Printing, Stationery, and Forms		160	
Office Supplies		826	
Total Purchasing			58,480

Property Assessor's Office

County Official/Administrative Officer	\$	72,604	
Deputy(ies)		128,247	
Data Processing Personnel		36,869	
Social Security		13,759	
State Retirement		21,775	
Life Insurance		154	
Medical Insurance		45,609	
Employer Medicare		3,218	
Communication		20	
Contracts with Government Agencies		16,053	
Data Processing Services		3,000	
Maintenance and Repair Services - Office Equipment		77	
Maintenance and Repair Services - Vehicles		2,848	
Postal Charges		1,631	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)Property Assessor's Office (Cont.)

Printing, Stationery, and Forms	\$	15	
Travel		287	
Data Processing Supplies		750	
Gasoline		3,539	
Office Supplies		2,766	
Data Processing Equipment		1,459	
Total Property Assessor's Office			\$ 354,680

Reappraisal Program

Deputy(ies)	\$	29,392	
Social Security		1,649	
State Retirement		2,692	
Life Insurance		28	
Medical Insurance		8,298	
Employer Medicare		386	
Contracts with Government Agencies		5,753	
Contracts with Private Agencies		68,735	
Postal Charges		1,023	
Other Contracted Services		850	
Office Supplies		325	
Total Reappraisal Program			119,131

County Trustee's Office

Life Insurance	\$	126	
Medical Insurance		34,941	
Communication		21	
Legal Notices, Recording, and Court Costs		654	
Postal Charges		10,478	
Printing, Stationery, and Forms		8,208	
Travel		251	
Office Supplies		4,392	
Premiums on Corporate Surety Bonds		4,002	
Office Equipment		1,054	
Total County Trustee's Office			64,127

County Clerk's Office

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		299,243	
Part-time Personnel		5,406	
Social Security		21,795	
State Retirement		33,121	
Life Insurance		324	
Medical Insurance		79,160	
Employer Medicare		5,097	
Communication		1,001	
Dues and Memberships		857	
Maintenance Agreements		15,136	
Postal Charges		19,811	
Printing, Stationery, and Forms		1,423	
Rentals		1,980	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)County Clerk's Office (Cont.)

Travel	\$	2,304	
Office Supplies		5,067	
Data Processing Equipment		13,599	
Office Equipment		3,959	
Total County Clerk's Office			\$ 579,855

Data Processing

Other Salaries and Wages	\$	1,200	
Social Security		64	
State Retirement		110	
Employer Medicare		15	
Contracts with Private Agencies		33,215	
Data Processing Services		5,225	
Maintenance Agreements		14,286	
Data Processing Supplies		1,208	
Data Processing Equipment		3,717	
Total Data Processing			59,040

Other Finance

Deputy(ies)	\$	132,756	
Maintenance Personnel		1,461	
Part-time Personnel		10,254	
Social Security		8,605	
State Retirement		9,895	
Life Insurance		126	
Medical Insurance		26,752	
Employer Medicare		2,012	
Communication		5,242	
Operating Lease Payments		29,922	
Rentals		795	
Office Supplies		1,624	
Data Processing Equipment		1,200	
Total Other Finance			230,644

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		279,157	
Part-time Personnel		64,289	
Other Salaries and Wages		24,755	
Jury and Witness Expense		17,698	
Social Security		26,354	
State Retirement		32,029	
Life Insurance		295	
Medical Insurance		66,489	
Employer Medicare		6,163	
Communication		2,441	
Dues and Memberships		687	
Legal Notices, Recording, and Court Costs		286	
Maintenance Agreements		14,027	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Postal Charges	\$	4,925	
Printing, Stationery, and Forms		10,198	
Rentals		7,680	
Travel		200	
Other Contracted Services		2,939	
Office Supplies		13,778	
Office Equipment		1,982	
Total Circuit Court			\$ 646,944

General Sessions Court

Judge(s)	\$	229,616	
Other Salaries and Wages		7,200	
Social Security		14,551	
State Retirement		14,679	
Life Insurance		28	
Medical Insurance		7,927	
Employer Medicare		3,403	
Communication		234	
Dues and Memberships		1,234	
Travel		1,603	
Other Contracted Services		1,385	
Office Supplies		2,726	
Data Processing Equipment		1,617	
Total General Sessions Court			286,203

Drug Court

Supervisor/Director	\$	30,750	
Part-time Personnel		21,086	
Social Security		2,948	
State Retirement		2,818	
Life Insurance		28	
Medical Insurance		11,630	
Employer Medicare		690	
Communication		3,402	
Dues and Memberships		210	
Evaluation and Testing		20,752	
Maintenance Agreements		3,000	
Postal Charges		3	
Printing, Stationery, and Forms		144	
Rentals		1,669	
Travel		3,712	
Drug Treatment		625	
Office Supplies		1,966	
Other Supplies and Materials		990	
Total Drug Court			106,423

Chancery Court

Life Insurance	\$	141	
Medical Insurance		44,514	
Communication		230	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Chancery Court (Cont.)

Maintenance Agreements	\$	7,644	
Postal Charges		6,383	
Printing, Stationery, and Forms		1,117	
Rentals		2,256	
Office Supplies		5,029	
Total Chancery Court			\$ 67,314

Juvenile Court

Judge(s)	\$	41,342	
Assistant(s)		33,884	
Probation Officer(s)		33,993	
Youth Service Officer(s)		44,737	
Guidance Personnel		11,749	
Educational Assistants		30,809	
Attendants		76,701	
Other Salaries and Wages		10,246	
Social Security		16,929	
State Retirement		10,026	
Life Insurance		113	
Medical Insurance		27,591	
Employer Medicare		3,959	
Communication		1,475	
Contracts with Government Agencies		18,075	
Dues and Memberships		165	
Evaluation and Testing		3,424	
Maintenance and Repair Services - Vehicles		232	
Postal Charges		411	
Rentals		1,669	
Travel		2,714	
Other Contracted Services		2,388	
Food Supplies		2,436	
Gasoline		512	
Office Supplies		4,112	
In Service/Staff Development		270	
Total Juvenile Court			379,962

Courtroom Security

Guards	\$	52,978	
Part-time Personnel		126,303	
Overtime Pay		1,616	
Social Security		10,870	
State Retirement		4,987	
Life Insurance		56	
Medical Insurance		15,608	
Employer Medicare		2,542	
Evaluation and Testing		2,689	
Maintenance Agreements		2,600	
Transportation - Other than Students		1,000	
Uniforms		2,141	
Law Enforcement Equipment		6,189	
Total Courtroom Security			229,579

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	80,968	
Supervisor/Director		50,521	
Deputy(ies)		486,081	
Captain(s)		47,102	
Lieutenant(s)		254,002	
Sergeant(s)		287,512	
Salary Supplements		16,800	
Clerical Personnel		126,193	
Overtime Pay		113,000	
Social Security		84,464	
State Retirement		157,970	
Life Insurance		1,081	
Medical Insurance		307,415	
Employer Medicare		19,754	
Communication		26,332	
Dues and Memberships		2,800	
Evaluation and Testing		2,661	
Maintenance Agreements		6,312	
Maintenance and Repair Services - Buildings		7,708	
Maintenance and Repair Services - Equipment		5,740	
Maintenance and Repair Services - Vehicles		45,679	
Postal Charges		2,381	
Printing, Stationery, and Forms		1,507	
Rentals		4,465	
Towing Services		1,375	
Travel		17,660	
Other Contracted Services		5,912	
Gasoline		155,968	
Law Enforcement Supplies		9,986	
Lubricants		5,911	
Office Supplies		12,811	
Tires and Tubes		14,264	
Uniforms		3,544	
Other Supplies and Materials		6,311	
In Service/Staff Development		18,945	
Other Charges		11,044	
Furniture and Fixtures		1,716	
Law Enforcement Equipment		27,025	
Total Sheriff's Department			\$ 2,430,920

Administration of the Sexual Offender Registry

Contracts with Government Agencies	\$	1,500	
Office Supplies		1,313	
Total Administration of the Sexual Offender Registry			2,813

Jail

Captain(s)	\$	36,496	
Lieutenant(s)		33,204	
Sergeant(s)		140,390	
Guards		832,149	

(Continued)

Exhibit J-7

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

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

Cafeteria Personnel	\$	20,431	
Overtime Pay		59,507	
Social Security		66,143	
State Retirement		103,033	
Life Insurance		1,195	
Medical Insurance		250,793	
Employer Medicare		15,469	
Advertising		887	
Evaluation and Testing		2,160	
Maintenance Agreements		23,196	
Maintenance and Repair Services - Buildings		55,739	
Maintenance and Repair Services - Equipment		13,652	
Medical and Dental Services		495,566	
Rentals		2,200	
Travel		2,312	
Custodial Supplies		39,954	
Drugs and Medical Supplies		34,150	
Food Supplies		353,935	
Office Supplies		6,497	
Prisoners Clothing		9,848	
In Service/Staff Development		1,245	
Other Charges		7,631	
Law Enforcement Equipment		25,694	
Other Equipment		9,897	
Total Jail			\$ 2,643,373

Workhouse

Guards	\$	41,803	
Social Security		2,181	
State Retirement		3,831	
Life Insurance		42	
Medical Insurance		19,110	
Employer Medicare		510	
Total Workhouse			67,477

Work Release Program

Supervisor/Director	\$	37,184	
Secretary(ies)		27,957	
Other Salaries and Wages		1,682	
Social Security		3,834	
State Retirement		6,132	
Life Insurance		56	
Medical Insurance		12,714	
Employer Medicare		897	
Communication		429	
Maintenance and Repair Services - Vehicles		159	
Postal Charges		8	
Printing, Stationery, and Forms		421	
Gasoline		1,777	
Office Supplies		635	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Work Release Program (Cont.)

Testing	\$	2,040	
In Service/Staff Development		350	
Total Work Release Program			\$ 96,275

Fire Prevention and Control

Contributions	\$	180,000	
Total Fire Prevention and Control			180,000

Civil Defense

Supervisor/Director	\$	35,313	
Part-time Personnel		7,182	
Social Security		2,631	
State Retirement		3,234	
Life Insurance		28	
Medical Insurance		4,910	
Employer Medicare		615	
Communication		604	
Evaluation and Testing		675	
Maintenance and Repair Services - Vehicles		2,296	
Postal Charges		100	
Travel		735	
Gasoline		5,188	
Office Supplies		1,790	
Uniforms		467	
Liability Insurance		300	
Other Charges		3,232	
Communication Equipment		574	
Total Civil Defense			69,874

Other Emergency Management

Contributions	\$	141,436	
Other Equipment		5,212	
Total Other Emergency Management			146,648

Inspection and Regulation

Board and Committee Members Fees	\$	3,600	
Social Security		223	
Employer Medicare		52	
Evaluation and Testing		2,341	
Total Inspection and Regulation			6,216

County Coroner/Medical Examiner

Assistant(s)	\$	5,640	
Other Salaries and Wages		77,488	
Other Contracted Services		7,200	
Office Supplies		477	
Total County Coroner/Medical Examiner			90,805

(Continued)

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	292,901	
Social Security		16,719	
State Retirement		21,137	
Life Insurance		253	
Medical Insurance		63,661	
Employer Medicare		3,910	
Contracts with Government Agencies		53,223	
Travel		4,299	
Total Local Health Center			\$ 456,103

Rabies and Animal Control

Contributions	\$	133,500	
Total Rabies and Animal Control			133,500

Nursing Home

Contributions	\$	2,000	
Total Nursing Home			2,000

Alcohol and Drug Programs

Contributions	\$	5,000	
Total Alcohol and Drug Programs			5,000

Crippled Children Services

Contributions	\$	6,242	
Total Crippled Children Services			6,242

Appropriation to State

Contributions	\$	110,500	
Total Appropriation to State			110,500

Aid to Dependent Children

Contributions	\$	8,000	
Total Aid to Dependent Children			8,000

Child Support

Contributions	\$	14,903	
Total Child Support			14,903

Other Local Welfare Services

Contributions	\$	30,355	
Total Other Local Welfare Services			30,355

Sanitation Management

Contributions	\$	15,000	
Total Sanitation Management			15,000

Other Public Health and Welfare

Contributions	\$	1,500	
Total Other Public Health and Welfare			1,500

(Continued)

Exhibit J-7

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

General Fund (Cont.)Social, Cultural, and Recreational ServicesAdult Activities

Contributions	\$ 11,600	
Total Adult Activities		\$ 11,600

Senior Citizens Assistance

Contributions	\$ 6,500	
Total Senior Citizens Assistance		6,500

Libraries

Contributions	\$ 257,000	
Total Libraries		257,000

Parks and Fair Boards

Supervisor/Director	\$ 37,600	
Maintenance Personnel	26,184	
Part-time Personnel	6,755	
Overtime Pay	20,429	
Social Security	5,704	
State Retirement	7,717	
Life Insurance	56	
Medical Insurance	9,312	
Employer Medicare	1,338	
Communication	5,106	
Maintenance and Repair Services - Equipment	3,017	
Maintenance and Repair Services - Vehicles	1,203	
Custodial Supplies	6,570	
Diesel Fuel	3,195	
Electricity	28,153	
Gasoline	4,303	
Office Supplies	108	
Uniforms	68	
Water and Sewer	22,892	
Other Supplies and Materials	3,189	
Liability Insurance	6,437	
Refunds	60	
Workers' Compensation Insurance	2,148	
Other Charges	873	
Other Equipment	780	
Other Construction	5,307	
Total Parks and Fair Boards		208,504

Other Social, Cultural, and Recreational

Contracts with Government Agencies	\$ 50,837	
Contributions	234,500	
Total Other Social, Cultural, and Recreational		285,337

Agriculture and Natural ResourcesAgriculture Extension Service

Salary Supplements	\$ 129,839	
Communication	18	
Travel	1,266	
Office Supplies	3,622	
Total Agriculture Extension Service		134,745

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Forest Service

Contributions	\$	1,000	
Total Forest Service			\$ 1,000

Soil Conservation

Secretary(ies)	\$	24,909	
Social Security		1,279	
State Retirement		2,283	
Life Insurance		28	
Medical Insurance		11,645	
Employer Medicare		299	
Total Soil Conservation			40,443

Storm Water Management

Engineering Services	\$	1,350	
Other Contracted Services		6,175	
Instructional Supplies and Materials		1,130	
Total Storm Water Management			8,655

Other Operations

Tourism

Supervisor/Director	\$	41,007	
Social Security		2,145	
State Retirement		3,752	
Life Insurance		26	
Medical Insurance		11,023	
Employer Medicare		502	
Advertising		10,490	
Communication		780	
Contributions		22,500	
Postal Charges		103	
Printing, Stationery, and Forms		431	
Rentals		4,701	
Travel		4,138	
Disposal Fees		534	
Other Contracted Services		79,451	
Office Supplies		291	
Other Supplies and Materials		826	
Other Charges		2,819	
Office Equipment		409	
Total Tourism			185,928

Industrial Development

Contributions	\$	47,075	
Contracts for Development Costs		49,151	
Total Industrial Development			96,226

Public Transportation

Contributions	\$	27,720	
Total Public Transportation			27,720

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

County Official/Administrative Officer	\$	12,361	
Social Security		767	
Employer Medicare		179	
Communication		4	
Dues and Memberships		25	
Maintenance Agreements		399	
Postal Charges		41	
Travel		849	
Office Supplies		177	
Total Veterans' Services			\$ 14,802

Employee Benefits

Handling Charges and Administrative Costs	\$	680	
Medical Insurance		3,446	
Unemployment Compensation		15,447	
Other Fringe Benefits		2,250	
Contracts with Private Agencies		162,369	
Liability Insurance		323,440	
Workers' Compensation Insurance		124,299	
Liability Claims		14,366	
Total Employee Benefits			646,297

Miscellaneous

Medical Insurance	\$	316,039	
Contracts with Other Public Agencies		15,404	
Other Contracted Services		150	
Premiums on Corporate Surety Bonds		1,892	
Trustee's Commission		184,527	
Total Miscellaneous			518,012

Operation of Non-Instructional Services

Community Services

Contributions	\$	6,750	
Total Community Services			6,750

Capital Projects

Administration of Justice Projects

Data Processing Equipment	\$	9,295	
Total Administration of Justice Projects			9,295

Public Safety Projects

Building Improvements	\$	91,548	
Communication Equipment		56,703	
Law Enforcement Equipment		4,920	
Motor Vehicles		326,300	
Other Equipment		9,516	
Total Public Safety Projects			488,987

Total General Fund \$ 14,774,064

(Continued)

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Foremen	\$	36,931	
Mechanic(s)		38,411	
Equipment Operators - Heavy		127,120	
Truck Drivers		214,903	
Laborers		120,630	
Overtime Pay		17,363	
Social Security		32,282	
Handling Charges and Administrative Costs		90	
State Retirement		50,477	
Life Insurance		591	
Medical Insurance		149,531	
Unemployment Compensation		5,491	
Employer Medicare		7,551	
Advertising		4,776	
Contracts with Private Agencies		55,655	
Maintenance Agreements		5,100	
Maintenance and Repair Services - Equipment		108,349	
Disposal Fees		745,705	
Other Contracted Services		647	
Diesel Fuel		179,474	
Gasoline		3,815	
Lubricants		5,926	
Office Supplies		383	
Tires and Tubes		19,693	
Uniforms		6,621	
Other Supplies and Materials		14,559	
Liability Insurance		44,640	
Trustee's Commission		36,106	
Workers' Compensation Insurance		55,375	
Liability Claims		1,705	
Motor Vehicles		384,994	
Solid Waste Equipment		35,795	
Total Sanitation Management			\$ 2,510,689

Total Solid Waste/Sanitation Fund \$ 2,510,689

Drug Control Fund

Public Safety

Drug Enforcement

Salary Supplements	\$	4,800	
Social Security		267	
State Retirement		602	
Employer Medicare		62	
Confidential Drug Enforcement Payments		25,000	
Maintenance and Repair Services - Vehicles		4,740	
Rentals		12,000	
Travel		2,969	
Veterinary Services		46	
Remittance of Revenue Collected		13,250	
Other Contracted Services		4,281	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)Public Safety (Cont.)Drug Enforcement (Cont.)

Animal Food and Supplies	\$	684	
Electricity		6,428	
Law Enforcement Supplies		4,497	
Trustee's Commission		468	
In Service/Staff Development		1,975	
Furniture and Fixtures		3,674	
Law Enforcement Equipment		17,165	
Total Drug Enforcement			\$ 102,908

Total Drug Control Fund \$ 102,908

Constitutional Officers - Fees FundGeneral GovernmentRegister of Deeds

Constitutional Officers' Operating Expenses	\$	50	
Total Register of Deeds			\$ 50

FinanceCounty Trustee's Office

Constitutional Officers' Operating Expenses	\$	242,847	
Total County Trustee's Office			242,847

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	7	
Total County Clerk's Office			7

Administration of JusticeGeneral Sessions Court

Constitutional Officers' Operating Expenses	\$	495	
Total General Sessions Court			495

Chancery Court

Constitutional Officers' Operating Expenses	\$	247,041	
Total Chancery Court			247,041

Juvenile Court

Constitutional Officers' Operating Expenses	\$	226	
Total Juvenile Court			226

Public SafetySheriff's Department

Constitutional Officers' Operating Expenses	\$	231	
Total Sheriff's Department			231

Total Constitutional Officers - Fees Fund 490,897

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	77,629	
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Administration (Cont.)

Assistant(s)	\$	45,145	
Accountants/Bookkeepers		32,800	
Overtime Pay		342	
Board and Committee Members Fees		18,250	
Social Security		10,695	
State Retirement		10,608	
Life Insurance		84	
Medical Insurance		18,071	
Employer Medicare		2,511	
Communication		6,942	
Dues and Memberships		2,971	
Legal Services		570	
Postal Charges		201	
Travel		743	
Other Contracted Services		1,676	
Electricity		11,580	
Office Supplies		1,166	
Propane Gas		12,273	
Water and Sewer		1,116	
Liability Insurance		34,391	
Trustee's Commission		17,221	
Vehicle and Equipment Insurance		20,652	
Other Charges		17,388	
Total Administration			\$ 345,025

Highway and Bridge Maintenance

Foremen	\$	42,867	
Equipment Operators		160,413	
Truck Drivers		137,163	
Laborers		111,339	
Overtime Pay		20,877	
Other Salaries and Wages		3,247	
Social Security		28,217	
State Retirement		43,031	
Life Insurance		425	
Medical Insurance		100,494	
Employer Medicare		6,605	
Contracts with Private Agencies		8,981	
Rentals		4,598	
Asphalt - Cold Mix		5,452	
Asphalt - Hot Mix		87,217	
Concrete		1,516	
Crushed Stone		39,331	
General Construction Materials		2,550	
Other Road Supplies		4,644	
Pipe - Metal		2,927	
Road Signs		11,373	
Salt		17,743	
Small Tools		1,746	
Uniforms		5,822	
Fencing		17,295	
Total Highway and Bridge Maintenance			865,873

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	56,546	
Overtime Pay		4,449	
Social Security		3,446	
State Retirement		5,585	
Life Insurance		42	
Medical Insurance		16,428	
Employer Medicare		806	
Diesel Fuel		56,177	
Equipment Parts - Heavy		91,551	
Garage Supplies		8,240	
Gasoline		33,434	
Lubricants		7,916	
Small Tools		1,930	
Tires and Tubes		21,874	
Other Supplies and Materials		10,077	
Total Operation and Maintenance of Equipment			\$ 318,501

Employee Benefits

Unemployment Compensation	\$	3,048	
Other Fringe Benefits		450	
Legal Notices, Recording, and Court Costs		1,105	
Workers' Compensation Insurance		33,926	
Total Employee Benefits			38,529

Capital Outlay

Building Improvements	\$	8,420	
Furniture and Fixtures		945	
Highway Construction		712	
Highway Equipment		99,216	
Motor Vehicles		189,047	
Office Equipment		1,733	
State Aid Projects		370,184	
Total Capital Outlay			670,257

Total Highway/Public Works Fund \$ 2,238,185

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	2,200	
Principal on Other Loans		347,480	
Total General Government			\$ 349,680

Education

Principal on Bonds	\$	367,800	
Principal on Other Loans		2,911,374	
Total Education			3,279,174

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)Interest on DebtGeneral Government

Interest on Bonds	\$ 9,096	
Interest on Other Loans	216,186	
Total General Government		\$ 225,282

Education

Interest on Bonds	\$ 467,004	
Interest on Notes	1,028	
Interest on Other Loans	1,070,134	
Total Education		1,538,166

Other Debt ServiceGeneral Government

Trustee's Commission	\$ 87,483	
Total General Government		87,483

Education

Other Debt Service	\$ 12,560	
Total Education		12,560

Total General Debt Service Fund \$ 5,492,345

General Capital Projects FundCapital ProjectsPublic Health and Welfare Projects

Advertising	\$ 368	
Engineering Services	28,250	
Remittance of Revenue Collected	12,500	
Other Construction	390,396	
Total Public Health and Welfare Projects		\$ 431,514

Social, Cultural, and Recreation Projects

Advertising	\$ 100	
Total Social, Cultural, and Recreation Projects		100

Total General Capital Projects Fund 431,614

Sanitation Projects FundCapital ProjectsPublic Health and Welfare Projects

Landfill Closure/Postclosure Care Costs	\$ 5,363	
Total Public Health and Welfare Projects		\$ 5,363

Total Sanitation Projects Fund 5,363

Highway Capital Projects FundCapital ProjectsHighway and Street Capital Projects

Trustee's Commission	\$ 4,650	
Highway Construction	463,726	
Total Highway and Street Capital Projects		\$ 468,376

Total Highway Capital Projects Fund 468,376

(Continued)

Exhibit J-7

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

<u>Other Capital Projects Fund - QSCB</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	36	
Total Education Capital Projects			\$ 36
Total Other Capital Projects Fund - QSCB			\$ 36
Total Governmental Funds - Primary Government			\$ 26,514,477

Hamblen County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	23,554,076	
Career Ladder Program		169,267	
Career Ladder Extended Contracts		84,000	
Salary Supplements		440,333	
Educational Assistants		1,036,358	
Certified Substitute Teachers		172,772	
Non-certified Substitute Teachers		251,650	
Social Security		1,506,305	
State Retirement		2,193,709	
Life Insurance		32,763	
Medical Insurance		4,521,809	
Unemployment Compensation		21,270	
Employer Medicare		362,491	
Other Fringe Benefits		716,549	
Other Contracted Services		127,011	
Instructional Supplies and Materials		366,544	
Textbooks		380,153	
Other Supplies and Materials		30,117	
Other Charges		132,500	
Regular Instruction Equipment		237,245	
Total Regular Instruction Program			\$ 36,336,922

Special Education Program

Teachers	\$	2,937,426	
Career Ladder Program		21,823	
Educational Assistants		389,004	
Speech Pathologist		191,563	
Certified Substitute Teachers		10,650	
Non-certified Substitute Teachers		26,335	
Social Security		215,202	
State Retirement		309,997	
Life Insurance		4,940	
Medical Insurance		707,081	
Unemployment Compensation		3,341	
Employer Medicare		50,574	
Other Contracted Services		499,841	
Instructional Supplies and Materials		36,110	
Other Charges		71,392	
Special Education Equipment		86,830	
Total Special Education Program			5,562,109

Vocational Education Program

Teachers	\$	2,103,120	
Career Ladder Program		17,500	
Certified Substitute Teachers		7,085	
Non-certified Substitute Teachers		18,095	
Social Security		127,851	
State Retirement		188,374	
Life Insurance		2,552	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Instruction (Cont.)Vocational Education Program (Cont.)

Medical Insurance	\$	367,664	
Unemployment Compensation		1,660	
Employer Medicare		29,909	
Instructional Supplies and Materials		53,544	
Other Supplies and Materials		17,341	
Vocational Instruction Equipment		26,650	
Total Vocational Education Program			\$ 2,961,345

Student Body Education Program

Other Contracted Services	\$	51,661	
Other Supplies and Materials		85,845	
Other Charges		9,972	
Total Student Body Education Program			147,478

Adult Education Program

Teachers	\$	58,817	
Social Security		3,603	
State Retirement		4,860	
Life Insurance		56	
Medical Insurance		9,664	
Unemployment Compensation		286	
Employer Medicare		843	
Instructional Supplies and Materials		3,831	
Total Adult Education Program			81,960

Other

Other Charges	\$	59,223	
Total Other			59,223

Support ServicesAttendance

Travel	\$	2,763	
Total Attendance			2,763

Health Services

Medical Personnel	\$	374,331	
Other Salaries and Wages		3,154	
Social Security		21,998	
State Retirement		33,366	
Life Insurance		835	
Medical Insurance		130,034	
Unemployment Compensation		536	
Employer Medicare		5,145	
Travel		5,197	
Drugs and Medical Supplies		4,909	
Other Supplies and Materials		18,155	
In Service/Staff Development		320	
Total Health Services			597,980

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Other Student Support

Career Ladder Program	\$	3,498	
Guidance Personnel		895,423	
Other Salaries and Wages		5,540	
Social Security		49,997	
State Retirement		73,759	
Life Insurance		933	
Medical Insurance		143,783	
Unemployment Compensation		679	
Employer Medicare		12,481	
Evaluation and Testing		14,482	
Total Other Student Support			\$ 1,200,575

Regular Instruction Program

Supervisor/Director	\$	33,480	
Career Ladder Program		1,000	
Secretary(ies)		148,681	
Other Salaries and Wages		94,106	
In-Service Training		43,195	
Social Security		17,084	
State Retirement		16,715	
Life Insurance		263	
Medical Insurance		35,249	
Unemployment Compensation		207	
Employer Medicare		3,995	
Travel		24,200	
Other Contracted Services		183,007	
Library Books/Media		24,694	
Other Supplies and Materials		23,036	
In Service/Staff Development		10,083	
Other Charges		26,182	
Other Equipment		1,590	
Total Regular Instruction Program			686,767

Special Education Program

Supervisor/Director	\$	60,920	
Career Ladder Program		1,000	
Secretary(ies)		63,686	
Clerical Personnel		22,490	
Social Security		9,048	
State Retirement		13,375	
Life Insurance		225	
Medical Insurance		22,918	
Unemployment Compensation		136	
Employer Medicare		2,116	
Maintenance and Repair Services - Equipment		686	
Travel		29,325	
Other Contracted Services		7,696	
Other Supplies and Materials		1,759	
Other Charges		28,217	
Total Special Education Program			263,597

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Vocational Education Program

Supervisor/Director	\$	69,657	
Career Ladder Program		1,000	
Secretary(ies)		31,167	
Social Security		6,109	
State Retirement		9,123	
Life Insurance		113	
Medical Insurance		19,328	
Unemployment Compensation		72	
Employer Medicare		1,429	
Travel		6,505	
Total Vocational Education Program			\$ 144,503

Adult Programs

Supervisor/Director	\$	56,543	
Other Salaries and Wages		10,885	
Social Security		4,178	
State Retirement		5,021	
Life Insurance		56	
Medical Insurance		6,066	
Unemployment Compensation		54	
Employer Medicare		977	
Travel		34	
In Service/Staff Development		2,681	
Total Adult Programs			86,495

Other Programs

On-Behalf Payments to OPEB	\$	658,726	
Total Other Programs			658,726

Board of Education

Board and Committee Members Fees	\$	37,200	
Social Security		2,306	
State Retirement		2,533	
Life Insurance		338	
Employer Medicare		539	
Audit Services		28,030	
Dues and Memberships		13,861	
Legal Services		12,738	
Travel		25,575	
Liability Insurance		146,348	
Premiums on Corporate Surety Bonds		1,739	
Trustee's Commission		481,768	
Workers' Compensation Insurance		176,685	
Other Charges		11,379	
Total Board of Education			941,039

Director of Schools

County Official/Administrative Officer	\$	114,507	
Assistant(s)		184,418	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Director of Schools (Cont.)

Career Ladder Program	\$	3,000	
Secretary(ies)		95,993	
Social Security		24,234	
State Retirement		43,553	
Life Insurance		641	
Medical Insurance		39,145	
Unemployment Compensation		179	
Employer Medicare		5,960	
Communication		27,984	
Postal Charges		13,980	
Travel		11,860	
Other Contracted Services		10,399	
Office Supplies		12,442	
Other Charges		8,915	
Total Director of Schools			\$ 597,210

Office of the Principal

Principals	\$	1,251,219	
Career Ladder Program		25,416	
Assistant Principals		867,447	
Secretary(ies)		660,009	
Social Security		167,636	
State Retirement		250,710	
Life Insurance		3,123	
Medical Insurance		463,303	
Unemployment Compensation		2,109	
Employer Medicare		39,205	
Communication		72,757	
Total Office of the Principal			3,802,934

Fiscal Services

Supervisor/Director	\$	75,654	
Accountants/Bookkeepers		134,350	
Social Security		11,965	
State Retirement		17,957	
Life Insurance		225	
Medical Insurance		27,861	
Unemployment Compensation		161	
Employer Medicare		2,995	
Maintenance and Repair Services - Equipment		12,956	
Travel		4,652	
Other Contracted Services		13,882	
Data Processing Supplies		5,053	
Office Supplies		4,579	
Administration Equipment		321,177	
Total Fiscal Services			633,467

Operation of Plant

Custodial Personnel	\$	1,645,646	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Salaries and Wages	\$	33,634	
Social Security		99,514	
State Retirement		139,954	
Life Insurance		2,983	
Medical Insurance		389,993	
Unemployment Compensation		2,181	
Employer Medicare		23,657	
Other Contracted Services		275,864	
Custodial Supplies		172,818	
Electricity		1,887,893	
Natural Gas		313,780	
Water and Sewer		323,478	
Other Supplies and Materials		10,748	
Other Charges		228	
Plant Operation Equipment		20,000	
Total Operation of Plant			\$ 5,342,371

Maintenance of Plant

Supervisor/Director	\$	52,190	
Maintenance Personnel		607,846	
Social Security		39,828	
State Retirement		60,326	
Life Insurance		799	
Medical Insurance		130,015	
Unemployment Compensation		644	
Employer Medicare		9,315	
Maintenance and Repair Services - Buildings		283,870	
Maintenance and Repair Services - Equipment		66,969	
Equipment and Machinery Parts		87,796	
Uniforms		6,241	
Other Charges		944	
Maintenance Equipment		32,689	
Total Maintenance of Plant			1,379,472

Transportation

Supervisor/Director	\$	43,664	
Mechanic(s)		173,936	
Bus Drivers		787,965	
Clerical Personnel		35,330	
Social Security		60,621	
State Retirement		89,703	
Life Insurance		3,092	
Medical Insurance		424,181	
Unemployment Compensation		2,074	
Employer Medicare		14,177	
Maintenance and Repair Services - Vehicles		38,580	
Medical and Dental Services		5,141	
Travel		1,261	
Diesel Fuel		431,778	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Transportation (Cont.)

Garage Supplies	\$	2,099	
Gasoline		67,946	
Lubricants		17,540	
Tires and Tubes		46,904	
Uniforms		1,892	
Vehicle Parts		88,910	
Other Supplies and Materials		6,008	
Vehicle and Equipment Insurance		51,216	
Other Charges		24,692	
Transportation Equipment		496,098	
Total Transportation			\$ 2,914,808

Central and Other

Supervisor/Director	\$	71,231	
Computer Programmer(s)		42,861	
Secretary(ies)		30,711	
Other Salaries and Wages		388,820	
Social Security		31,979	
State Retirement		48,785	
Life Insurance		708	
Medical Insurance		97,085	
Unemployment Compensation		465	
Employer Medicare		7,479	
Communication		17,365	
Consultants		3,950	
Travel		7,668	
Other Contracted Services		124,571	
Office Supplies		10,408	
Uniforms		6,302	
In Service/Staff Development		1,976	
Data Processing Equipment		290,111	
Total Central and Other			1,182,475

Operation of Non-Instructional ServicesCommunity Services

Supervisor/Director	\$	35,065	
Other Salaries and Wages		160,787	
Social Security		12,143	
State Retirement		3,412	
Life Insurance		56	
Medical Insurance		6,066	
Unemployment Compensation		930	
Employer Medicare		2,840	
Travel		382	
Other Contracted Services		654	
Other Supplies and Materials		149	
Other Charges		21,329	
Other Equipment		3,495	
Total Community Services			247,308

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Operation of Non-Instructional Services (Cont.)Early Childhood Education

Teachers	\$	347,211	
Career Ladder Program		1,000	
Educational Assistants		230,256	
Certified Substitute Teachers		750	
Non-certified Substitute Teachers		5,700	
Social Security		34,204	
State Retirement		32,745	
Life Insurance		507	
Medical Insurance		65,506	
Unemployment Compensation		893	
Employer Medicare		8,203	
Instructional Supplies and Materials		24,241	
In Service/Staff Development		2,926	
Other Charges		3,706	
Other Equipment		4,818	
Total Early Childhood Education			\$ 762,666

Capital OutlayRegular Capital Outlay

Building Improvements	\$	3,885,682	
Total Regular Capital Outlay			3,885,682

Other Debt ServiceEducation

Other Debt Service	\$	500,000	
Total Education			500,000

Total General Purpose School Fund \$ 70,979,875

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	1,078,802	
Educational Assistants		219,292	
Certified Substitute Teachers		2,422	
Non-certified Substitute Teachers		6,912	
Social Security		75,902	
State Retirement		110,572	
Life Insurance		1,729	
Medical Insurance		247,947	
Unemployment Compensation		1,454	
Employer Medicare		19,107	
Instructional Supplies and Materials		1,065,576	
Other Supplies and Materials		46,972	
Regular Instruction Equipment		25,199	
Total Regular Instruction Program			\$ 2,901,886

Special Education Program

Teachers	\$	105,780	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)Instruction (Cont.)Special Education Program (Cont.)

Educational Assistants	\$	1,371,248	
Certified Substitute Teachers		228	
Non-certified Substitute Teachers		21,124	
Social Security		88,411	
State Retirement		129,215	
Life Insurance		3,808	
Medical Insurance		488,144	
Unemployment Compensation		2,602	
Employer Medicare		20,827	
Other Contracted Services		128,076	
Instructional Supplies and Materials		18,458	
Other Supplies and Materials		12,150	
Special Education Equipment		31,508	
Total Special Education Program			\$ 2,421,579

Vocational Education Program

Instructional Supplies and Materials	\$	31,737	
Vocational Instruction Equipment		103,186	
Total Vocational Education Program			134,923

Support ServicesOther Student Support

Guidance Personnel	\$	71,142	
Other Salaries and Wages		2,000	
Social Security		4,386	
State Retirement		6,106	
Life Insurance		82	
Medical Insurance		14,790	
Employer Medicare		1,026	
Travel		26,051	
Other Supplies and Materials		25,846	
Total Other Student Support			151,429

Regular Instruction Program

Supervisor/Director	\$	54,749	
Other Salaries and Wages		530,742	
Certified Substitute Teachers		8,130	
Non-certified Substitute Teachers		19,108	
Social Security		31,947	
State Retirement		44,256	
Life Insurance		460	
Medical Insurance		57,037	
Unemployment Compensation		823	
Employer Medicare		8,804	
Travel		68,500	
Other Contracted Services		1,146	
Other Supplies and Materials		17,549	
In Service/Staff Development		81,674	
Other Charges		10,100	
Total Regular Instruction Program			935,025

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)Support Services (Cont.)Special Education Program

Travel	\$	21,339	
Other Supplies and Materials		17,105	
In Service/Staff Development		14,169	
Total Special Education Program			\$ 52,613

Vocational Education Program

Travel	\$	4,063	
Total Vocational Education Program			4,063

Transportation

Other Charges	\$	30,113	
Total Transportation			30,113

Total School Federal Projects Fund \$ 6,631,631

Central Cafeteria FundSupport ServicesBoard of Education

Audit Services	\$	2,200	
Workers' Compensation Insurance		51,000	
Total Board of Education			\$ 53,200

Operation of Non-Instructional ServicesFood Service

Supervisor/Director	\$	47,704	
Accountants/Bookkeepers		33,614	
Clerical Personnel		30,331	
Cafeteria Personnel		1,517,038	
Other Salaries and Wages		68,857	
In-Service Training		2,036	
Social Security		102,061	
State Retirement		73,043	
Life Insurance		2,457	
Medical Insurance		344,380	
Unemployment Compensation		4,602	
Employer Medicare		23,999	
Maintenance and Repair Services - Equipment		30,964	
Travel		2,380	
Other Contracted Services		362,857	
Food Supplies		1,804,875	
Office Supplies		3,499	
USDA - Commodities		292,089	
Other Supplies and Materials		155,347	
In Service/Staff Development		2,573	
Other Charges		35,009	
Food Service Equipment		210,485	
Total Food Service			5,150,200

Total Central Cafeteria Fund 5,203,400

(Continued)

Exhibit J-8

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

<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Building Improvements	\$	438,810	
Total Education Capital Projects			\$ 438,810
Total Education Capital Projects Fund			\$ 438,810
<u>Other Capital Projects - QSCB</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Architects	\$	335	
Building Construction		71,369	
Furniture and Fixtures		28,988	
Regular Instruction Equipment		18,372	
Total Education Capital Projects			\$ 119,064
Total Other Capital Projects - QSCB			119,064
Total Governmental Funds - Hamblen County School Department			\$ 83,372,780

Exhibit J-9

Hamblen County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 10,055,009
Total Cash Receipts	<u>\$ 10,055,009</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 9,954,609
Trustee's Commission	100,550
Total Cash Disbursements	<u>\$ 10,055,159</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ (150)
Cash Balance, July 1, 2012	<u>450</u>
Cash Balance, June 30, 2013	<u><u>\$ 300</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

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

Independent Auditor's Report

Hamblen County Mayor and
Board of County Commissioners
Hamblen 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hamblen County's basic financial statements, and have issued our report thereon dated October 24, 2013. Our report includes a reference to other auditors who audited the financial statements of the Hamblen County Emergency Communications District, as described in our report on Hamblen County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hamblen 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 Hamblen County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamblen 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. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency: 2013-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamblen County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001, 2013-002, and 2013-004.

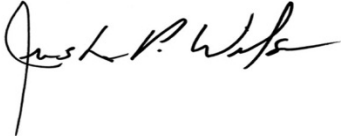
Hamblen County's Responses to Findings

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

Purpose of this Report

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 24, 2013

JPW/sb



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

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hamblen County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hamblen County's major federal programs for the year ended June 30, 2013. Hamblen 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 Hamblen County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan

and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hamblen 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 Hamblen County's compliance.

Opinion on Each Major Federal Program

In our opinion, Hamblen County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Hamblen 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 Hamblen County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamblen County's internal control over compliance.

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

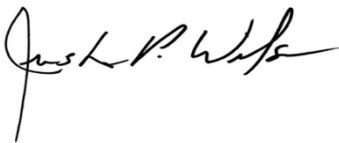
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hamblen County's basic financial statements. We issued our report thereon dated October 24, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 24, 2013

JPW/sb

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 958,558
National School Lunch Program	10.555	N/A	2,750,684 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	292,089 (3)
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	9,544
Total U.S. Department of Agriculture			<u>\$ 4,010,875</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-0927471	\$ 166,855
Home Investment Partnerships Program	14.239	HM-10-20	252,952
Total U.S. Department of Housing and Urban Development			<u>\$ 419,807</u>
U.S. Department of Justice:			
Direct Program:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 7,986
Bulletproof Vest Partnership Program	16.607	N/A	300
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	33472	10,000
Passed-through Tennessee Bureau of Investigation:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)	52
Total U.S. Department of Justice			<u>\$ 18,338</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-13-GHS133	\$ 4,920
Total U.S. Department of Transportation			<u>\$ 4,920</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 3,054,031
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	2,620,002
Special Education - Preschool Grants	84.173	N/A	62,522
Career and Technical Education - Basic Grants to States	84.048	N/A	171,367

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Education for Homeless Children and Youth	84.196	(2)	\$ 61,745
Education Technology State Grants	84.318	(2)	22,699
English Language Acquisition Grants	84.365	N/A	109,597
Improving Teacher Quality State Grants	84.367	N/A	412,290
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	349,567
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	102,347
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	41,957
Total U.S. Department of Education			<u>\$ 7,008,124</u>
National Archives and Records Administration:			
Passed-through State Department of Library and Archives:			
National Historical Publications and Records Grants	89.003	(2)	\$ 5,000
Total National Archives and Records Administration			<u>\$ 5,000</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	34101-0000000115	\$ 26,881
Homeland Security Grant Program	97.067	(2)	5,215
Total U.S. Department of Homeland Security			<u>\$ 32,096</u>
Total Expenditures of Federal Awards			<u>\$ 11,499,160</u>

(Continued)

Hamblen County, TennesseeSchedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Service Program - State Commission on Children and Youth	N/A	GG-1029754	\$ 4,500
Litter Program - State Department of Transportation	N/A	Z-13-LIT032	47,967
Health Department Program - State Department of Health	N/A	(4)	436,950
Waste Tire Grant - State Department of Environment and Conservation	N/A	DG-1337817	58,654
RES Grant - Local Park and Recreation Fund - State Department of Environment and Conservation	N/A	GG-0926707	50
Internet Connectivity Grant - State Department of Education	N/A	(2)	32,769
Early Childhood Education Pilot Program - State Department of Education	N/A	(2)	626,361
Adult Basic Education Grant - State Department of Labor and Workforce Development	N/A	(2)	34,116
Family Resource Center Grant - State Department of Education	N/A	(2)	50,536
Safe Schools Act Grant - State Department of Education	N/A	(2)	33,190
Coordinated School Health - State Department of Education	N/A	(2)	99,769
High Schools That Work Grant - State Department of Education	N/A	(2)	8,319
Drug Court Recovery - State Office of Criminal Justice Programs	N/A	33182	49,440
ACT/Explore - State Department of Education	N/A	(2)	5,256
Drivers Education - State Department of Education	N/A	(2)	8,724
After School Program - State Department of Human Services	N/A	(2)	31,419
Total State Grants			<u>\$ 1,528,020</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) - Information not available.
- (3) - Total for CFDA No. 10.555 is \$3,042,773.
- (4) - Z-12-43797-00: \$33,502; GG-1339299: \$403,448.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. There were no uncorrected findings from the Annual Financial Report for Hamblen County, Tennessee, for the year ended June 30, 2012.

HAMBLLEN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hamblen County is unmodified.
2. The audit of the financial statements of Hamblen County disclosed a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Hamblen County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. Our audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555) and State Fiscal Stabilization Funds – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$344,975 threshold was used to distinguish between Type A and Type B federal programs.
9. Hamblen County qualified as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF HIGHWAY COMMISSIONER

FINDING 2013-001

THE OFFICE DID NOT PURCHASE FROM THE LOWEST BIDDER

(Noncompliance Under *Government Auditing Standards*)

As part of our audit evaluation of the purchasing system, we selected a sample of 25 disbursements totaling \$21,826 to test for various purchasing attributes and found no exceptions. Also, we elected to test an additional four disbursements totaling \$249,354 to evaluate if proper bidding procedures were followed as required by Section 54-7-713(c), *Tennessee Code Annotated*. This test revealed that in August 2012, the Highway Department solicited bids for the purchase of a new backhoe. The department received five bids ranging in price from \$70,885 to \$91,032, and the Highway Commission awarded the purchase of the backhoe to a vendor for \$86,725. Three other bids (\$70,885, \$79,097, and \$85,751) were received that were less than the price paid. The Highway Commission minutes did not provide any written documentation or explanation of the reason why the contract was not awarded to one of the lower bidders.

In the case of *Owen of Georgia, Inc., versus Shelby County*, 442F, 314 (w.b. Tenn. 1977), the court stated that “to reject the bid of the lowest bidder there must be such evidence of the irresponsibility of the bidder as would cause fair-minded and reasonable men to believe that it was not for the best interest of the municipality to award the contract to the lowest bidder.”

RECOMMENDATION

Bids should be awarded to the vendor submitting the lowest price bid that meets bid specifications unless adequate written documentation is provided supporting the decision to reject the lowest bid.

FINDING 2013-002

THE OFFICE HAD DEFICIENCIES IN RECEIPTING PROCEDURES

(Noncompliance Under *Government Auditing Standards*)

As part of our audit, we reviewed the manual receipts issued by the department for the period July 1, 2012, through April 16, 2013. We found that the Highway Department did not issue official receipts for collections as required by Section 9-2-104, *Tennessee Code Annotated (TCA)*. Instead, the office used generic receipts that did not reflect the name of

the county and the office. We also found that receipts were not issued for all funds received as required by Section 9-2-104, *TCA*, and collections were not remitted to the county trustee within three days of collection as required by Section 5-8-207, *TCA*. The use of generic receipts, the failure to receipt all collections, and the failure to remit funds to the county trustee promptly exposes the office to risks that collections may not be accounted for properly.

RECOMMENDATION

The office should issue official prenumbered receipts for all collections that clearly reflect the name of the county and the office, and should remit the collections in tact to the county trustee within three days as required by state statute.

OFFICE OF TRUSTEE

FINDING 2013-003

THE 2011 PROPERTY TAX AGGREGATE REPORT DID NOT RECONCILE WITH THE BALANCE OF DELINQUENT TAXES FILED FOR COLLECTION WITH THE OFFICE OF CLERK AND MASTER

(Internal Control – Significant Deficiency Under Government Auditing Standards)

While assessing internal controls in the office, we determined that employees of the office had not been performing property tax aggregate reconciliations after the office changed software vendors in April 2012. We attempted to reconcile the 2011 property tax aggregate with the balance of unpaid taxes turned over to the Clerk and Master's Office in April 2013. Our reconciliation reflected an unaccounted difference of \$22,025. We utilized the initial property tax rolls, corrections made to the rolls per the correction reports from the office's software, corrections from the assessor of property, and collections posted to the general ledger. After discussions with the official and the software vendor, it was determined that numerous other changes were made to the tax rolls by the software vendor. Many of these changes were due to errors identified after the data was converted from the previous software vendor. Many of the changes made by the vendor were not readily traceable to documentation of when the change was made and the reason for the change. This deficiency is a result of management not performing reconciliations of the property tax aggregate on a timely basis and by inadequate support of changes made to the computerized tax records. It should be noted that the 2012 property tax aggregate report reconciled within a reasonable amount with the balance of unpaid taxes reflected on the general ledger.

RECOMMENDATION

The trustee should reconcile the property tax aggregate report with the general ledger and other supporting documentation on a monthly basis and promptly investigate any differences.

MANAGEMENT'S RESPONSE – TRUSTEE

In April 2012 the Hamblen County Trustee's Office underwent a software update and vendor change. The previous system had been implemented in 1987. The 25-plus years old system was not compatible with today's technology. In order to receive our files, the previous vendor estimated a cost of \$24,000 to \$26,000. Therefore, the Trustee's Office, along with the help of the new vendor, had to extract the data from hundreds of thousands of files over several months. This required the office and vendor staff to input thousands of files into the new system manually. During this conversion, the Trustee's Office and vendor sought advice daily from the auditors about the progress of the conversion and methodology being used. During the course of the next year, adjustments were required as incorrect information was found. We contacted our new vendor to fix the problems in order to provide a more real and accurate history. The Trustee's Office reconciled reports on the new software monthly. These reports were believed to be accurate for reconciliation purposes at the time. However it has since been determined that these reports could not be reconciled to supporting documentation.

When the Trustee's Office was made aware of this problem, we immediately began working with the auditors and the vendor to correct the problem. The office has implemented, with the help of audit, property tax aggregate reconciliation procedures that are working properly with the 2012 aggregate.

OFFICE OF SHERIFF

FINDING 2013-004

ARRESTEE FILES DID NOT INCLUDE AN ACKNOWLEDGEMENT FROM THE TENNESSEE BUREAU OF INVESTIGATION THAT FINGERPRINTS HAD BEEN RECEIVED AND ACCEPTED

(Noncompliance Under Government Auditing Standards)

The Sheriff's Department uses an electronic imaging fingerprint machine to fingerprint arrestees at the time of their arrest. This machine is designed to electronically store the fingerprint images, generate records of the images taken, and transmit the images to the Tennessee Bureau of Investigation (TBI). Section 8-4-115, *Tennessee Code Annotated*, provides that if fingerprints are transmitted to the TBI electronically, the booking agency shall maintain one hard copy of the fingerprints along with an acknowledgement from the TBI that a copy of the fingerprints has been received and accepted. To test the department's compliance with these requirements, we examined ten of approximately 3,200 arrestee files for the period July 1, 2012, through February 28, 2013. During our examination, we noted that the hard copies of the fingerprints were on file; however, for all of the files examined, the department did not maintain the acknowledgement from the TBI that the fingerprints had been received. This was due to a software problem and due to a lack of management oversight, which allowed the software problem to go undetected.

RECOMMENDATION

The sheriff should ensure that the fingerprints of all persons arrested are properly submitted to and accepted by the TBI as required by state statute.

MANAGEMENT'S RESPONSE – SHERIFF

Due to concerns by the Sheriff Department's IT Department and the County Mayor's Office, the annual support agreement was not immediately renewed. The IT Department and the County Mayor's Office took time to research available alternatives to address the concerns and problems with the current fingerprinting system. Ultimately, it was determined to renew the annual support agreement, and the problem was rectified. The Sheriff's IT Department and the County Mayor's Office anticipate updating the fingerprinting system during the 2013-14 fiscal year.

BEST PRACTICE

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

Hamblen 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 Hamblen County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting and purchasing covering all county departments.

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

There were no findings and questioned costs for federal programs.

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

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