OFFICIAL STATEMENT

NEW ISSUE — Rating: Standard and Poor's – "A+"
BOOK-ENTRY-ONLY — (See "MISCELLANEOUS-Rating" herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer, and estate taxes and Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

$8,500,000
HARDIN COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016A

Dated: May 20, 2016. — Due: June 1, as shown below.

The $8,500,000 General Obligation Refunding Bonds, Series 2016A (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2016 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022.

Due (June 1)	Amount	Interest Rate	Yield		CUSIP**	Due (June 1)	Amount	Interest Rate	Yield		CUSIP**
2017	$ 320,000	2.00%	0.70%		412036 PB5	2028	$ 410,000	2.00%	1.80%	c	412036 PN9
2018	335,000	2.00	0.80		412036 PC3	2029	415,000	2.00	1.90	c	412036 PP4
2019	340,000	2.00	0.90		412036 PD1	2030	425,000	2.25	2.05	c	412036 PQ2
2020	350,000	2.00	1.05		412036 PE9	2031	435,000	2.25	2.15	c	412036 PR0
2021	355,000	2.00	1.10		412036 PF6	2032	445,000	2.50	2.30	c	412036 PS8
2022	360,000	2.00	1.20		412036 PG4	2033	455,000	2.50	2.40	c	412036 PT6
2023	370,000	2.00	1.30	c	412036 PH2	2034	465,000	2.50	2.50		412036 PU3
2024	375,000	2.00	1.40	c	412036 PJ8	2035	480,000	2.75	2.60	c	412036 PV1
2025	385,000	2.00	1.50	c	412036 PK5	2036	490,000	2.75	2.70	c	412036 PW9
2026	390,000	2.00	1.60	c	412036 PL3	2037	500,000	2.75	2.75		412036 PX7
2027	400,000	2.00	1.70	c	412036 PM1						

c = Yield to call on June 1, 2022.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Lee Lackey, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about May 20, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

April 20, 2016

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Financial Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

HARDIN COUNTY, TENNESSEE

OFFICIALS

Kevin C. Davis	*County Mayor*
Connie S. Stephens	*County Clerk*
Linda Franks	*Account & Budget Director*
Linda L. McCasland	*County Trustee*
Lee Lackey	*County Attorney*

BOARD OF COUNTY COMMISSIONERS

Gary Combs	Fred McFalls
Joseph Bonee	Adam Coleman
Stephen Ballard	Roger Jenkins
Charles Holloway	C.D. Rickman
Bobby Barnes	Kathy Smith
Boyce Bain	Nickie Cagle
Mike Jerrolds	Brandon Morris
Wally Hamilton	Paul Riddell
Larry Byrd	Emery White
Mike Fowler	Brodie Johnson

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND REGISTRAR AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer .... Hardin County, Tennessee (the "County" or "Issuer"). See APPENDIX B contained herein.

Securities Offered.......................... $8,500,000 General Obligation Refunding Bonds, Series 2016A (the "Bonds") of the County, dated the date of issuance May 20, 2016. The Bonds mature each June 1 beginning June 1, 2017 through June 1, 2037, inclusive. See mature entitled "SECURITIES OFFERED" herein for additional information.

Security .... The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

Purpose .... The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds of the County, as described herein; and (ii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED - Authority and Purpose" contained herein.

Optional Redemption .... The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022. See Section entitled "SECURITIES OFFERED – Optional Redemption".

Tax Matters.................................... In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes and Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)

Bank Qualification....................... The Bonds will be treated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.

Rating... Standard and Poor's: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.

Financial Advisor .... Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Financial Advisor; Related parties; Other" herein.

Underwriter.................................... FTN Financial Capital Markets, Memphis, Tennessee.

Bond Counsel .... Bass, Berry & Sims PLC, Knoxville, Tennessee.

SUMMARY STATEMENT

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Bank Qualification .... The Bonds will be treated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.

Rating .... Standard and Poor's: "A+". See the section entitled "MISCELLANEOUS - Rating" for more information.

Financial Advisor .... Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS-Financial Advisor; Related parties; Other" herein.

Underwriter .... FTN Financial Capital Markets, Memphis, Tennessee.

Bond Counsel .... Bass, Berry & Sims PLC, Knoxville, Tennessee.

Book-Entry Only .... The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry-Only System"

Registration Agent......................... Regions Bank, Nashville, Tennessee.

General... The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

Disclosure .... In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the County will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID") established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" for additional information."

Other Information.......................... The information in the *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the District or the *Official Statement*, contact Mr. Kevin C. Davis, County Mayor or Ms. Connie S. Stephens, County Clerk, Hardin County Courthouse, 465 Main Street, Savannah, Tennessee 38372, telephone: 731-925-9078; or the County's Financial Advisor, Cumberland Securities Company, Inc., P.O. Box 24508, Knoxville, Tennessee 37933, Telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Beginning Fund Balance	$4,862,313	$4,439,703	$5,188,926	$4,957,624	$4,446,172
Revenues	9,899,033	11,432,822	11,545,825	11,764,258	12,098,756
Expenditures	9,943,480	11,299,013	11,336,160	11,949,190	12,092,271
Excess (Deficiency) of Revenues Over Expenditures	(44,447)	133,809	209,665	(184,932)	6,485
Insurance Recovery	54,265	32,753	166,778	40,387	206,407
Transfers In	-	-	-	-	-
Transfers Out	(609,928)	(622,338)	(607,745)	(608,657)	(613,693)
Note/Lease Procceds	177,500	1,204,999	-	241,750	135,488
Ending Fund Balance	**$4,439,703**	**$5,188,926**	**$4,957,624**	**$4,446,172**	**$4,180,859**

Source: Comprehensive Annual Financial Reports of the County.

$8,500,000
HARDIN COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2016A

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Hardin County, Tennessee (the "County") of $8,500,000 General Obligation Refunding Bonds, Series 2016A (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 et. seq., *Tennessee Code Annotated,* and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Commissioners of the County on March 22, 2016 (the "Resolution").

The Bonds are being issued for the purpose of (i) refinancing, in whole or in part, certain Outstanding Bonds, as described in the "Refunding Plan" below; and (ii) payment of the costs related to the issuance and sale of the Bonds.

REFUNDING PLAN

The County intends to refinance a portion of the County's outstanding General Obligation Bonds, Series 2007, dated May 10, 2007 and the County's General Obligation Bonds, Series 2008, dated February 14, 2008 to the June 1, 2016 call date (the "Outstanding Bonds").

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Bonds was submitted to the Director of State and Local Finance for review and that office's report on the Plan was submitted to the County.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery May 20, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2016. The Bonds are issuable in book-entry-only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the County Mayor and shall be attested by the County Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The County, through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of available revenues paid by the Commission and direct appropriations from the General Fund of the County to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the County.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the County as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2023 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2022 in whole or in part at any time at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of County Commissioners, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the

Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

NOTICE OF REDEMPTION

Notice of call for redemption, shall be given by the Registration Agent on behalf of the County not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the "Book-Entry-Only System"). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the County determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the County will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the County believes to be reliable, but the County, the Bond Counsel, the Registration Agent and the Financial Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the County, the Bond Counsel, the Registration Agent or the Financial Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the County as follows:

(a) all accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;

(b) an amount, which together with legally available funds of the County, and will be sufficient to pay principal of, premium, if any, and interest on the Outstanding Debt until and through the redemption date therefor shall be transferred to the Registration and Paying Agent of the Outstanding Debt to be held to the earliest optional redemption date; and

(c) the remainder of the proceeds of the sale of the Bonds shall be used to pay the costs of issuance the Bonds, and all necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premium, if any, administrative and clerical costs, rating agency fees, registration agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes of this Section, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the “Code”),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the County must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The County has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "Proposed Legislation and Other Matters" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the County as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

Standard & Poor's Rating Services ("Standard & Poor's") has given the Bonds the rating of "A+".

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Standard & Poor's and any explanation of the significance of such rating should be obtained from Standard & Poor's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on April 20, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated April 11, 2016.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $8,582,807.66 (consisting of the par amount of the Bonds, plus a reoffering premium of $150,762.10, less an underwriter's discount of $67,954.44) or 100.974% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the County for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the County to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the County, including without limitation any of the County's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the County, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the County to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT, in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the County's Dissemination Agent. If the County chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The County has authorized the General Obligation Refunding Bonds, Series 2016B to refinance the balance of the Outstanding Bonds. Additionally, the County has ongoing needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the County from information available. Additionally, no agreements or legal proceedings of the County relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year Filing History. While it is believed that all appropriate filings were made with respect to the ratings of the County’s outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The County’s Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles, provided, however, if the County’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as shown on page B-9;

4. Information about the Bonded Debt Service Requirements – Hospital Supported Debt Service Fund as of the end of such fiscal year as shown on page B-10;

5. Information about the Bonded Debt Service Requirements – General Fund Leases Debt Service Fund as of the end of such fiscal year as shown on page B-11;

6. Information about the Bonded Debt Service Requirements – General Purpose School Debt Service Fund as of the end of such fiscal year as shown on page B-12;

7. The fund balances and retained earnings for the fiscal year as shown on page B-13;

8. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-14;

9. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-20;

10. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-20; and

11. The ten largest taxpayers as shown on page B-21.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The County will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

   c. Unscheduled draws on debt service reserves reflecting financial difficulties;

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

   e. Substitution of credit or liquidity providers, or their failure to perform;

   f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

   g. Modifications to rights of Bondholders, if material;

   h. Bond calls, if material, and tender offers;

   i. Defeasances;

   j. Release, substitution, or sale of property securing repayment of the securities, if material;

   k. Rating changes;

   l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

   m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

   n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The County has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12.

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CERTIFICATION OF THE COUNTY

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Kevin Davis
County Mayor

ATTEST:

/s/ Connie Stephens
County Clerk

APPENDIX A

LEGAL OPINION

LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Hardin County, Tennessee (the "Issuer") of the $8,500,000 General Obligation Refunding Bonds, Series 2016A (the "Bonds") dated May 20, 2016. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the territorial limits of the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt" obligations within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

16745352.1

APPENDIX B

HARDIN COUNTY, TENNESSEE

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Hardin County, Tennessee (the "County") is located in the southwestern portion of the State of Tennessee, on the Alabama and Mississippi state lines which bound the County to the south. The County is predominantly bounded to the west by McNairy County. On the east the County is separated from Wayne County by the Tennessee River. Chester, Henderson and Decatur Counties border the County to the northwest, north and northeast respectively. The City of Savannah, the County seat, is situated just west of the approximate center of the County and approximately 115 miles east of Memphis. The 2010 Census lists the population of the County to be 26,026 and the City of Savannah to be 6,982.

GENERAL

The County land area is approximately 380,000 acres. Of the 380,000 acres it is estimated that 55%, or 209,000 acres, is dedicated to farming. Leading crops include corn, cotton, milo, okra, peppers, soybeans and wheat. Ball clay for the ceramic industry is found in abundance as are gravel and cert. High quality white sand for use in glass, golf courses and beaches is also abundant.

TRANSPORTATION

The closest interstate is I-40 about 50 miles north of the County. U.S. Highway 64 runs through the County, as do State Highways 22, 57, 69 and 128. Rail service is provided by Kansas City Southern Lines, and the closest port is Pickwick Dam located about 17 miles from Savannah. Local air service is provided by the Savannah-Hardin County Airport with a 5,000 foot concrete air strip. The nearest commercial airport is the Memphis International Airport, over 100 miles to the west.

The County is accessible by the Tennessee River, which runs the entire length of the county south to north with close to 50 miles of shoreline. The commercial port facilities at Pickwick Dam are 11 miles from Savannah. Barges with a 9 foot draft can travel the rivers 650 miles. Forty-three million tons of cargo are carried by barge on the river annually.

Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

The *Hardin County School System* currently consists of seven schools - one high school, one middle high school and five elementary schools. The fall 2014 enrollment was 3,676 students with 236 teachers. Eight of the schools are in Savannah.

Source: Tennessee Department of Education.

Jackson State Community College Savannah-Hardin Center. The Savannah-Hardin County Center was the first off-campus educational facility to be opened by Jackson State. The Center opened in Spring of 1998 through the combined efforts of Jackson State, Hardin County, and the City of Savannah. The Center is fully accredited by the Southern Association of Colleges to offer the Associate's Degree in General Studies. A full service campus, the Center is an extension of the main campus in Jackson, TN.

Jackson State Community College is located in Madison County and was founded in 1967. Jackson State offers associate degrees, certificates, and enrichment courses as preparation for further higher education and for career entry or advancement. The fall 2014 enrollment was 4,928 students. There are also three satellite campuses: Savannah (Hardin County), Lexington (Henderson County) and Humboldt (Gibson County).

Source: Jackson State Community College and TN Higher Education Commission.

The *Tennessee Technology Center at Crump* located nearby in Hardin County is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Crump serves the southwest region of the state including Hardin, McNairy and Decatur Counties. The Technology Center at Crump began operations in 1965, and is located on an 18-acre tract of land on Highway 64 in Hardin County. Fall 2013 enrollment was 397 students.

Source: Tennessee Technology Center at Crump and TN Higher Education Commission.

There are four universities within a fifty mile radius of the County: Freed-Hardeman University, University of North Alabama, Union University, and UT-Martin. There are about four colleges also located within about fifty miles from the County. They are Columbia State Community College, Northeast Mississippi Community College, Lambuth College, and Lane College.

HEALTHCARE

Hardin Medical Center is located in Savannah and was founded in 1952. The Hospital is a full-service, 58 bed, not-for-profit general acute care facility. Services include general surgery, physician services, outpatient clinics, radiology, laboratory, respiratory therapy and physical therapy. The hospital operates a 24 hour emergency room, intensive and cardiac care, obstetrical services and a nursing home.

Source: Hardin Medical Center.

MANUFACTURING AND COMMERCE

Manufacturing employment accounts for approximately 50% of the non-agriculture employment within the County and is not concentrated within any one particular industry. A list of the largest industrial employers within the County, and the products which they manufacture, are on the following page:

Major Employers in Hardin County

Company	Product	Employees
Hardin Co. Board of Education	Education	537
Packaging Corporation of America	Kraft Linerboard	500
Hardin County Hospital	Healthcare	403
Clayton Homes, Inc.	Mobile Homes	303
Wal-Mart	Retail	280
Aquarious/Praxis Industries	Fiberglass Tubs and Showers	185
American Food Service	Custom Food Fixtures	242
Hardin Co. Government	Government	140
Pickwick Landing State Park	Tourism Resort Property	88
Williams Cabinet Shop, Inc.	Kitchen Cabinets	80
Tenaris	Steel Pipes	71
Design Team Sign Co.	Banners/Awnings	68
Savannah Food Company	Food Products	65
Wise Company	Boat Seats	60

Source: Hardin County Chamber of Commerce and TN Department of Economic & Community Development.

EMPLOYMENT INFORMATION

The unemployment rate for the County as of December 2015 was 7.1% representing 9,350 persons employed with a labor force of 10,060. The following chart shows employment trends from the last five years.

Hardin County Unemployment

	Annual Average **2010**	Annual Average **2011**	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**
National	9.6%	8.9%	8.1%	7.4%	6.2%
Tennessee	9.7%	9.2%	8.0%	8.2%	6.7%
Hardin County	**11.5%**	**10.7%**	**9.5%**	**10.1%**	**9.0%**
Index vs. National	120	120	117	136	145
Index vs. State	119	116	119	123	134

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

Per Capita Personal Income

	2010	2011	2012	2013	2014
National	$40,277	$42,453	$44,266	$44,438	$46,049
Tennessee	$35,601	$37,323	$39,137	$39,312	$40,457
Hardin County	**$31,023**	**$32,958**	**$34,137**	**$34,453**	**$35,383**
Index vs. National	77	78	77	78	77
Index vs. State	87	88	87	88	87

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	National	Tennessee	Hardin County	Savannah
Median Value Owner Occupied Housing	$175,700	$139,900	$97,100	$87,000
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	79.0%	77.7%
% Persons with Income Below Poverty Level	14.80%	18.30%	21.7%	26.4%
Median Household Income	$53,482	$44,621	$34,084	$29,926

Source: U.S. Census Bureau State & County QuickFacts - 2014.

RECREATION

Pickwick Landing State Park. The second largest park in Tennessee is located along the Tennessee River 11 miles south of Savannah in Hardin County. Pickwick Landing has 1,400 acres and features numerous recreational facilities to include an eighteen hole golf course, a large marina and an inn. There is also a Conference Center that has over 6,000 square feet. Pickwick Landing was a riverboat stop dating from the 1840's that in the 1930's was chosen for one of the Tennessee Valley Authority's dams on the Tennessee River. What today comprises the park was once the living area for the TVA construction crews and their families. Today Pickwick Landing is one of the most visited parks in the system.

Source: Tennessee State Parks.

Shiloh National Military Park. Located within Hardin County, 8 miles west of Savannah, is the Shiloh National Military Park, a Civil War landmark. Over 380,000 people visited the park in 2011. Shiloh National Military Park contains a wide array of historic sites. In addition to the 4,000-acre battlefield of Shiloh itself, the park contains a separate unit at Corinth, Mississippi, that preserves and interprets the Siege and Battle of Corinth. Located within the boundaries of

Shiloh park is also a United States National Cemetery, which contains around 4,000 soldiers and their family members. A National Historic Landmark in its own right, the Shiloh Indian Mounds are also located with the park boundaries.

Shiloh National Military Park was established in 1894 to preserve the scene of the first major battle in the Western theater of the Civil War. The two-day battle, April 6 and 7, 1862, involved about 65,000 Union and 44,000 Confederate troops. This battle resulted in nearly 24,000 killed, wounded, and missing. It proved to be a decisive victory for the federal forces when they advanced on and seized control of the Confederate railway system at Corinth, Mississippi.

Source: National Park Service.

Tennessee River Museum. Located in Savannah in Hardin County, the museum's exhibits chronicle prehistoric times, life of the Mississippian mound builders, the tragic story of the "Trail of Tears," the Civil War on the River, the Golden Age of Steamboats, and the Tennessee River today. Among the many exhibits and objects displayed is the famed Shiloh Effigy Pipe, found at the Shiloh Indian Mounds Site in 1898. This one of a kind artifact is an example of the trade among the prehistoric peoples of the Tennessee and Mississippi Rivers.

Source: Tennessee River Museum.

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HARDIN COUNTY, TENNESSEE
Summary of Long Term Indebtedness

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)	(1) OUTSTANDING
$ 8,000,000	(2)	TMBF Loan, Series 2003	May 2031	Variable	$ 5,439,000
8,600,000		General Obligation Bonds, Series 2007	June 2037	Fixed	6,930,000
5,000,000		General Obligation Bonds, Series 2008	June 2037	Fixed	3,965,000
27,650		Capital Outlay Note, Series 2009 (TDEC)	July 2016	None	7,900
750,000		Capital Outlay Note, Series 2015 (Issued 10-20-2015)	Oct 2020	Fixed	750,000
10,000,000	(3)	General Obligation School Bonds, Series 2009 (Taxable Build America Bonds)	June 2044	Fixed	10,000,000
20,000,000	(3)	General Obligation School Bonds, Series 2009B (Taxable Build America Bonds)	June 2044	Fixed	18,205,000
6,000,000	(3)	General Obligation School Bonds, Series 2010	June 2026	Fixed	4,370,000
$ 58,377,650		**Total Debt - General Debt Service Fund**			$ 49,666,900
$ 8,500,000		General Obligation Refunding Bonds, Series 2016A	June 2037	Fixed	8,500,000
2,060,000		General Obligation Refunding Bonds, Series 2016B	June 2027	Fixed	2,060,000
(13,600,000)		Less: Revenue Supported Debt			(10,500,000)
$ 55,337,650		**Total Net Debt - General Debt Service Fund**			$ 49,726,900

Capital Leases Paid by General Fund and General Purpose School Fund

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	OUTSTANDING
$ 1,390,821	Capital Leases (General Fund)	Feb 2020	Fixed	$ 705,022
1,782,319	Capital Lease (General Purpose School Fund)	Nov. 2026	Fixed	1,536,139

NOTES:

(1) The above figures may not include all leases or short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) These Bonds are payable from the revenues of the Hospital and Nursing Home and are backed by the County.

(3) These Bonds are payable from a dedicated local option sales tax and are backed by the County.

HARDIN COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For Fiscal Year Ended June 30					After Issuance
INDEBTEDNESS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
TAX SUPPORTED						
General Obligation Bonds & Notes (1)	$ 50,534,413	$ 48,499,103	$ 49,205,522	$ 44,770,050	$ 43,477,900	$ 44,287,900
TOTAL TAX SUPPORTED	$ 50,534,413	$ 48,499,103	$ 49,205,522	$ 44,770,050	$ 43,477,900	$ 44,287,900
REVENUE SUPPORTED						
Hospital Revenue and Tax Debt	$ 6,409,000	$ 6,178,000	$ 5,940,000	$ 5,694,000	$ 5,439,000	$ 5,439,000
TOTAL DEBT	$ 56,943,413	$ 54,677,103	$ 55,145,522	$ 50,464,050	$ 48,916,900	$ 49,726,900
Less: Revenue Supported Debt	$ (6,409,000)	$ (6,178,000)	$ (5,940,000)	$ (5,694,000)	$ (5,439,000)	$ (5,439,000)
Less: Debt Service Funds	$ (3,601,987)	$ (2,598,100)	$ (2,517,941)	$ (2,531,502)	$ (2,806,522)	$ (2,806,522)
NET DIRECT DEBT	$ 46,932,426	$ 45,901,003	$ 46,687,581	$ 42,238,548	$ 40,671,378	$ 41,481,378

PROPERTY TAX BASE						
Estimated Actual Value	$ 2,455,429,649	$ 2,501,071,069	$ 2,428,611,934	$ 2,410,307,147	$2,520,357,907	$ 2,520,357,907
Appraised Value	2,293,371,292	2,336,000,378	2,268,323,546	2,410,307,147	2,520,357,907	2,520,357,907
Assessed Value	631,494,947	642,976,134	651,626,125	666,624,833	700,245,046	700,245,046

(1) The above figures may not include all leases or short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

	For Fiscal Year Ended June 30					After Issuance
DEBT RATIOS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
TOTAL DEBT to Estimated Actual Value	2.32%	2.19%	2.27%	2.09%	1.94%	1.97%
TOTAL DEBT to Appraised Value	2.48%	2.34%	2.43%	2.09%	1.94%	1.97%
TOTAL DEBT to Assessed Value	9.02%	8.50%	8.46%	7.57%	6.99%	7.10%
NET DIRECT DEBT to Estimated Actual Value	1.91%	1.84%	1.92%	1.75%	1.61%	1.65%
NET DIRECT DEBT to Appraised Value	2.05%	1.96%	2.06%	1.75%	1.61%	1.65%
NET DIRECT DEBT to Assessed Value	7.43%	7.14%	7.16%	6.34%	5.81%	5.92%
PER CAPITA RATIOS						
POPULATION (1)	25,874	26,015	26,034	25,870	25,870	25,870
PER CAPITA PERSONAL INCOME (2)	$32,958	$34,137	$34,453	$35,383	$35,383	$35,383
Estimated Actual Value to POPULATION	$94,899	$96,140	$93,286	$93,170	$97,424	$97,424
Assessed Value to POPULATION	$24,407	$24,716	$25,030	$25,768	$27,068	$27,068
Total Debt to POPULATION	$2,201	$2,102	$2,118	$1,951	$1,891	$1,922
Net Direct Debt to POPULATION	$1,814	$1,764	$1,793	$1,633	$1,572	$1,603
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	6.68%	6.16%	6.15%	5.51%	5.34%	5.43%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.50%	5.17%	5.21%	4.61%	4.44%	4.53%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.
(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

HARDIN COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation - General Debt Service Fund

Fiscal Year Ended June 30	Existing General Debt Service Fund Debt - As of October 20, 2015				General Obligation Refunding Bonds, Series 2016A			General Obligation Refunding Bonds, Series 2016B			Less: Refunded Bonds			Total General Obligation Debt				% Principal Repaid
	Principal	Interest	Estimated Treasury Rebate	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	Estimated Treasury Rebate	TOTAL	
2016	$ 1,273,950	$ 2,243,707	$ (585,174)	$ 2,932,483	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (208,954)	$ (208,954)	$ 1,273,950	$ 2,034,753	$ (585,174)	$ 2,723,528	2.88%
2017	1,463,950	2,203,582	(574,984)	3,092,548	320,000	195,806	515,806	175,000	29,105	204,105	(410,000)	(417,909)	(827,909)	1,548,950	2,010,584	(574,984)	2,984,550	
2018	1,505,000	2,148,781	(563,443)	3,090,338	335,000	183,600	518,600	180,000	26,843	206,843	(425,000)	(402,061)	(827,061)	1,595,000	1,957,163	(563,443)	2,988,719	
2019	1,555,000	2,089,668	(550,691)	3,093,977	340,000	176,900	516,900	180,000	25,223	205,223	(445,000)	(385,633)	(830,633)	1,630,000	1,906,158	(550,691)	2,985,467	
2020	1,600,000	2,026,844	(537,002)	3,089,842	350,000	170,100	520,100	180,000	23,423	203,423	(465,000)	(368,365)	(833,365)	1,665,000	1,852,002	(537,002)	2,980,000	17.42%
2021	1,650,000	1,960,301	(522,411)	3,087,890	355,000	163,100	518,100	185,000	21,353	206,353	(480,000)	(350,178)	(830,178)	1,710,000	1,794,576	(522,411)	2,982,165	
2022	1,555,000	1,891,566	(506,741)	2,939,825	360,000	156,000	516,000	185,000	19,133	204,133	(495,000)	(331,403)	(826,403)	1,605,000	1,735,296	(506,741)	2,833,555	
2023	1,615,000	1,821,839	(490,482)	2,946,357	370,000	148,800	518,800	190,000	16,728	206,728	(520,000)	(311,735)	(831,735)	1,655,000	1,675,631	(490,482)	2,840,150	
2024	1,670,000	1,748,638	(473,416)	2,945,221	375,000	141,400	516,400	190,000	14,068	204,068	(540,000)	(291,075)	(831,075)	1,695,000	1,613,030	(473,416)	2,834,614	
2025	1,730,000	1,671,518	(455,335)	2,946,183	385,000	133,900	518,900	195,000	11,218	206,218	(560,000)	(269,625)	(829,625)	1,750,000	1,547,010	(455,335)	2,841,675	36.42%
2026	1,790,000	1,589,238	(435,837)	2,943,401	390,000	126,200	516,200	195,000	7,805	202,805	(585,000)	(247,375)	(832,375)	1,790,000	1,475,868	(435,837)	2,830,031	
2027	1,450,000	1,502,073	(415,075)	2,536,998	400,000	118,400	518,400	205,000	4,100	209,100	(640,000)	(224,133)	(864,133)	1,415,000	1,400,440	(415,075)	2,400,365	
2028	1,260,000	1,432,375	(400,684)	2,291,691	410,000	110,400	520,400	-	-	-	(410,000)	(198,743)	(608,743)	1,260,000	1,344,033	(400,684)	2,203,349	
2029	1,300,000	1,369,415	(385,581)	2,283,834	415,000	102,200	517,200	-	-	-	(425,000)	(182,283)	(607,283)	1,290,000	1,289,333	(385,581)	2,193,752	
2030	1,355,000	1,302,528	(369,402)	2,288,126	425,000	93,900	518,900	-	-	-	(440,000)	(165,208)	(605,208)	1,340,000	1,231,220	(369,402)	2,201,818	52.44%
2031	1,410,000	1,231,980	(352,229)	2,289,751	435,000	84,338	519,338	-	-	-	(460,000)	(147,530)	(607,530)	1,385,000	1,168,788	(352,229)	2,201,558	
2032	1,480,000	1,158,608	(334,398)	2,304,210	445,000	74,550	519,550	-	-	-	(480,000)	(129,058)	(609,058)	1,445,000	1,104,100	(334,398)	2,214,702	
2033	1,540,000	1,079,248	(314,910)	2,304,338	455,000	63,425	518,425	-	-	-	(500,000)	(109,698)	(609,698)	1,495,000	1,032,975	(314,910)	2,213,065	
2034	1,610,000	996,676	(294,642)	2,312,034	465,000	52,050	517,050	-	-	-	(520,000)	(89,526)	(609,526)	1,555,000	959,200	(294,642)	2,219,558	
2035	1,670,000	910,308	(273,400)	2,306,907	480,000	40,425	520,425	-	-	-	(545,000)	(68,558)	(613,558)	1,605,000	882,175	(273,400)	2,213,775	69.34%
2036	1,740,000	819,273	(250,969)	2,308,304	490,000	27,225	517,225	-	-	-	(565,000)	(46,585)	(611,585)	1,665,000	799,913	(250,969)	2,213,944	
2037	1,815,000	724,364	(227,543)	2,311,821	500,000	13,750	513,750	-	-	-	(590,000)	(23,801)	(613,801)	1,725,000	714,313	(227,543)	2,211,770	
2038	1,275,000	625,375	(203,122)	1,697,253	-	-	-	-	-	-	-	-	-	1,275,000	625,375	(203,122)	1,697,253	
2039	1,335,000	547,125	(177,706)	1,704,419	-	-	-	-	-	-	-	-	-	1,335,000	547,125	(177,706)	1,704,419	
2040	1,390,000	465,188	(151,093)	1,704,095	-	-	-	-	-	-	-	-	-	1,390,000	465,188	(151,093)	1,704,095	86.02%
2041	1,450,000	379,875	(123,383)	1,706,492	-	-	-	-	-	-	-	-	-	1,450,000	379,875	(123,383)	1,706,492	
2042	1,515,000	290,875	(94,476)	1,711,399	-	-	-	-	-	-	-	-	-	1,515,000	290,875	(94,476)	1,711,399	
2043	1,575,000	197,875	(64,270)	1,708,605	-	-	-	-	-	-	-	-	-	1,575,000	197,875	(64,270)	1,708,605	
2044	1,650,000	101,250	(32,886)	1,718,364	-	-	-	-	-	-	-	-	-	1,650,000	101,250	(32,886)	1,718,364	100.00%
	$ 44,227,900	$ 36,530,088	$ (10,161,284)	$ 70,596,704	$ 8,500,000	$ 2,376,468	$ 10,876,468	$ 2,060,000	$ 198,995	$ 2,258,995	$ (10,500,000)	$ (4,969,432)	$ (15,469,432)	$ 44,287,900	$ 34,136,120	$ (10,161,284)	$ 68,262,736	

NOTES:

(1) The above figures do not include revenue backed debt or all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon 2.3671%.

(3) Estimated Interest Rates. Estimated Average Coupon 1.57%.

HARDIN COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Hospital
Supported Debt Service
As of June 30, 2015

	Total General Obligation Debt			%
Fiscal Year	Principal	Budget Interest	TOTAL	Principal Repaid
2016	$ 263,000	$ 270,854	$ 533,854	4.84%
2017	272,000	257,667	529,667	
2018	281,000	244,029	525,029	
2019	291,000	229,938	520,938	
2020	300,000	215,350	515,350	25.87%
2021	310,000	200,308	510,308	
2022	321,000	184,762	505,762	
2023	331,000	168,671	499,671	
2024	342,000	152,075	494,075	
2025	354,000	134,925	488,925	56.35%
2026	366,000	117,175	483,175	
2027	378,000	98,825	476,825	
2028	391,000	79,871	470,871	
2029	404,000	60,267	464,267	
2030	417,000	40,013	457,013	92.31%
2031	418,000	19,158	437,158	100.00%
	$ 5,439,000	$ 2,473,888	$ 7,912,888	

NOTES:

(1) The above figures do not include revenue backed debt or all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

HARDIN COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Fund

Leases

As of June 30, 2015

	Total General Fund Lease			%
Fiscal Year	Principal	Interest	TOTAL	Principal
2016	$ 355,908	$ 70,104	$ 426,012	15.88%
2017	344,910	58,568	403,478	31.27%
2018	173,417	48,192	221,609	39.01%
2019	173,947	42,321	216,268	46.77%
2020	180,004	36,262	216,266	54.80%
2021	157,399	29,984	187,383	61.82%
2022	162,435	24,948	187,383	69.07%
2023	167,631	19,751	187,382	76.55%
2024	144,488	14,386	158,874	83.00%
2025	148,945	9,928	158,873	89.64%
2026	153,540	5,333	158,873	96.50%
2027	78,537	900	79,437	100.00%
	$ 2,241,161	$ 360,677	$ 2,601,838	

NOTES:

(1) The above figures do not include revenue backed debt or all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

HARDIN COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Purpose School Fund

As of June 30, 2015

	Total General Purpose School Fund Lease			%
Fiscal Year	Principal	Interest	TOTAL	Principal
2016	$ 113,309	$ 45,564	$ 158,873	7.38%
2017	116,805	42,069	158,874	
2018	120,408	38,465	158,873	
2019	124,123	34,751	158,874	
2020	127,952	30,921	158,873	39.23%
2021	131,900	26,974	158,874	
2022	135,969	22,905	158,874	
2023	140,164	18,710	158,874	
2024	144,488	14,386	158,874	
2025	148,945	9,928	158,873	84.89%
2026	153,540	5,333	158,873	
2027	78,537	900	79,437	100.00%
	$ 1,536,140	$ 290,906	$ 1,827,046	

NOTES:

(1) The above figures do not include revenue backed debt or all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the County. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

DEBT RECORD

There is no record of default on principal and interest payments by Hardin County from any information currently available.

FUND BALANCES AND RETAINED EARNINGS

The following table depicts audited fund balances and retained earnings for the last five fiscal years ending June 30:

	For the Fiscal Year Ended June 30,				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$4,439,703	$5,188,926	$4,957,624	$4,446,172	$4,180,859
Highway / Public Works	477,652	725,702	471,130	572,497	703,504
General Debt Service	2,423,033	1,280,037	1,154299	1,243,463	1,423,172
Rural Debt Service	1,178,954	1,318,063	1,363,642	1,288,039	1,383,350
Other Governmental	571,140	638,400	426,331	330,224	226,728
Total	**$9,090,482**	**$9,151,128**	**$8,373,026**	**$7,880,395**	**$7,917,613**
Proprietary Net Assets	$(32,105)	$484,762	$402,293	$55,666	$29,882

Source: Comprehensive Annual Financial Reports and Auditor's Reports, Hardin County, Tennessee.

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HARDIN COUNTY, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Revenues:					
Local Taxes	$ 5,628,436	$ 6,242,477	$ 6,366,994	$ 6,779,317	$ 6,877,338
Licenses and Permits	101,752	99,715	100,453	105,495	109,457
Fines, forfeitures and penalties	168,633	171,774	189,542	188,318	198,168
Charges for current services	43,990	111,688	150,553	146,431	152,922
Other local revenue	495,008	332,972	770,073	231,884	218,068
Fees Rec'v from County Officials	1,230,364	1,276,767	1,358,865	1,319,131	1,346,558
State of Tennessee	1,463,284	2,357,435	2,296,087	2,151,981	2,220,299
Federal Government	588,320	660,935	132,393	686,817	834,202
Other Governments & Citizens Groups	179,246	179,059	180,865	154,884	141,744
Total Revenues	$ 9,899,033	$ 11,432,822	$ 11,545,825	$ 11,764,258	$ 12,098,756
Expenditures:					
General government	$ 993,170	$ 1,533,813	$ 1,115,430	$ 1,304,963	$ 1,223,646
Finance	696,445	717,790	728,976	734,524	782,029
Administration of Justice	546,741	536,359	570,522	568,661	586,013
Public Safety	4,275,148	4,345,815	3,887,141	4,722,423	4,891,908
Public Health & Welfare	573,087	513,800	1,414,788	844,319	826,024
Social, Cultrual & Recreational Services	265,695	311,165	325,161	375,185	356,346
Agricultural & Natural Resources	180,064	140,169	138,702	143,119	147,113
Other Operations	2,162,832	2,944,097	2,907,338	3,034,115	3,057,037
Highways	-	-	-	-	-
Debt Service	250,298	256,005	248,102	221,881	222,155
Capital Projects	-	-	-	-	-
Total Expenditures	$ 9,943,480	$ 11,299,013	$ 11,336,160	$ 11,949,190	$ 12,092,271
Excess (Deficiency) of Revenues Over Expenditures	$ (44,447)	$ 133,809	$ 209,665	$ (184,932)	$ 6,485
Other Sources (Uses):					
Note/Lease Proceeds	$ 177,500	$ 1,204,999	$ -	$ 241,750	$ 135,488
Insurance Recovery	54,265	32,753	166,778	40,387	206,407
Operating Transfers - In	-	-	-	-	-
Operating Transfers - Out	(609,928)	(622,338)	(607,745)	(608,657)	(613,693)
Total Other Sources (Uses)	$ (378,163)	$ 615,414	$ (440,967)	$ (326,520)	$ (271,798)
Net Change in Fund Balance	$ (422,610)	$ 749,223	$ (231,302)	$ (511,452)	$ (265,313)
Fund Balance July 1	4,862,313	4,439,703	5,188,926	4,957,624	4,446,172
Residual Equity Transfers	-	-	-	-	-
Fund Balance June 30	**$ 4,439,703**	**$ 5,188,926**	**$ 4,957,624**	**$ 4,446,172**	**$ 4,180,859**

Source: Comprehensive Annual Financial Reports for Hardin County, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for all County investments.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

(a) Public Utility Property, to be assessed at 55% of its value;
(b) Industrial and Commercial Property, to be assessed at 30% of its value; and
(c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of $7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State board of equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year.

The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2014[1].

Class	**Estimated Assessed Valuation**	**Assessment Rate**	**Estimated Appraised Value**
Public Utilities	$ 44,093,913	55%	$ 101,016,983
Commercial and Industrial	95,863,240	40%	239,658,100
Personal Tangible Property	92,166,403	30%	307,221,224
Residential and Farm	468,121,490	25%	1,872,461,600
Total	**$700,245,046**		**$2,520,357,907**

Source: The 2014 Tax Aggregate Report of Tennessee and the County.

1 The tax year coincides with the calendar year, therefore tax year 2014 is actually fiscal year 2014-2015.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is $700,245,046 compared to $666,624,833 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is $2,520,357,907 compared to $2,410,307,147 for tax year 2013.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS

Tax Year[2]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Fiscal Year Collections**		**Aggregate Uncollected Balance** As of June 30, 2015	
				Amount	**Pct**	**Amount**	**Pct**
2011	$642,976,134	$1.82	$11,702,116	$11,159,724	95.4%	N/A	
2012	651,626,125	1.82	11,859,595	11,388,946	96.0%	N/A	
2013	666,624,833	1.82	12,103,486	11,856,702	98.0%	N/A	
2014	700,245,046	1.82	12,744,460	12,362,126	97.0%	$382,334	3.0%
2015	719,334,683*	2.08	14,962,160*	**IN PROCESS**			

* Estimated

2 The tax year coincides with the calendar year, therefore tax year 2015 is actually fiscal year 2015-2016.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessment	Taxes Paid
1.	Packaging Corp of America	Kraft Linerboard	$61,272,019	$1,274,458
2.	TN Valley Electric Corp.	Utility	10,077,013	209,602
3.	Pickwick Electric Cooperative	Utility	6,390,999	132,933
4.	Tennessee Gas Pipeline Co.	Utility	6,025,211	125,324
5.	Wal-Mart Real Estate	Retail	3,716,490	77,303
6.	Columbia Gulf Transmission	Utility	3,388,974	70,491
7.	Lowe's Home Center, Inc.	Retail	2,389,279	49,697
8.	The Villas of Savannah, LP	Housing	2,382,211	49,550
9.	Ingram Barge Company	Transportation	1,728,853	35,950
10.	Centurytel, Inc. of Adamsville	Telecommunications	1,715,269	35,678
	TOTAL		**$99,086,318**	**$2,060,996**

Source: the County.

PENSION PLANS

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

For additional information of the funding status, trend information and actuarial status of the County's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the County located herein.

INSURANCE

The County participates in the Tennessee County Services Association's self-insurance program for workmen's compensation insurance. This program has been established pursuant of Section 12-9-104(f), *Tennessee Code Annotated*. The County is required to pay into the program according to a formula which will be adjusted each year based upon the loss record of the County.

The County is exposed to various risk of losses related to torts; theft; damage and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County purchases various commercial insurance policies to cover potential claim settlements and judgments. The County reports its risk management activities within the General and Special Revenue Funds. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount can be reasonable estimated.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

HARDIN COUNTY, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Hardin County for the fiscal year ended June 30, 2015 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

HARDIN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT

ANNUAL FINANCIAL REPORT

HARDIN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JAN PAGE, CPA, CFE
Audit Manager

LEE ANN WEST, CPA, CGFM
Auditor 4

JUSTIN NEAL, CPA
VICKY BARBER, CFE
MEREDITH JAGGARS
ELISHA CROWELL, CISA, CFE
State Auditors

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

HARDIN COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

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

Scope

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

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF HIGHWAY COMMISSIONER

- Time sheets did not always accurately reflect time worked.

OFFICE OF DIRECTOR OF SCHOOLS

- The School Department had deficiencies in budget operations.

OFFICE OF TRUSTEE

- The office maintained a duplicate set of receipts.
- Employees had access to the trustee's cash drawer.

INTRODUCTORY SECTION

Hardin County Officials
June 30, 2015

Officials

Kevin Davis, County Mayor
Paul Blount, Highway Commissioner
Michael Davis, Director of Schools
Linda McCasland, Trustee
Calvin Hinton, Assessor of Property
Connie Stephens, County Clerk
Diane Polk, Circuit and General Sessions Courts Clerk
Martha Smith, Clerk and Master
Julie Gail Adkisson, Register of Deeds
Sammy Davidson, Sheriff
Linda Franks, Accounting and Budget Director

Board of County Commissioners

Kevin Davis, County Mayor, Chairman
Boyce Bain
Stephen Ballard
Bobby Barnes
Larry Byrd
Nickie Cagle
Adam Coleman
Gary Combs
Mike Fowler
Wally Hamilton
Charles Holloway
Darren Howard
Roger Jenkins
Mike Jerrolds
Brodie Johnson
Fred McFalls, Jr.
Brandon Morris
C. D. Rickman
Paul Riddell
Kathy Smith
Emery White

Highway Commission

Kevin Davis, County Mayor, Secretary
Hugh Gresham
Billy Grooms
Carter Horton
Jamie Lee Johnson

Board of Education

Ron Ashe, Chairman
James David Baker
David Burgess
Jeanelle Dennis
Justin Johnson
Brad Jones
Janie Milender
Danny Sewell
Olga Turnbow
Gary Vickery

Audit Committee

David Davis, Chairman
Jack Adams
Boyce Bain
Emery White
Kathy Smith

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

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Also, we did not audit the financial statements of the Hardin Medical Center (which represent 41.7 percent, 41.1 percent, and 54.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units), the Hardin County Emergency Communications District (which represent 3.4 percent, 3.3 percent, and 1.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units), or the Hardin County Convention and Visitors Bureau (which represent .1 percent, .2 percent, and .3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Park Rest Hardin County Health Center, Hardin Medical Center, Hardin County Emergency Communications District, and Hardin County Convention and Visitors Bureau is based solely on the reports of 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

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

Emphasis of Matter

We draw attention to Notes I.D.8. and VII.B.17. to the financial statements, which describe restatements decreasing the beginning Governmental Activities net position by $436,468, the discretely presented Hardin County School Department's net position by $5,220,700, and the discretely presented Hardin Medical Center's net position by $3,496,419 on the Government-wide Statement of Activities. We also draw attention to Note VIII.B.3. to the financial statements, which describes a restatement increasing the discretely presented Hardin County Emergency Communications District's net position by $156,922. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plans on pages 135-141 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 Hardin 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 and Rural Debt Service funds, combining and individual fund financial statements of the Hardin 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 and Rural Debt Service funds, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Rural Debt Service funds, combining and individual fund financial statements of the Hardin 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 February 5, 2016, on our consideration of Hardin 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 Hardin County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 5, 2016

JPW/kp

Basic Financial Statements

Exhibit A

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

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
ASSETS							
Cash	$ 272	$ 129,873	$ 130,145	$ 0	$ 18,088,986	$ 791,377	$ 28,395
Equity in Pooled Cash and Investments	7,369,857	0	7,369,857	3,323,647	0	0	0
Inventories	0	6,552	6,552	0	1,282,610	0	0
Accounts Receivable	95,015	898,246	993,261	14,027	2,511,230	0	49,053
Due from Other Governments	1,070,292	0	1,070,292	994,601	0	42,982	0
Due from Component Units	1,817,714	0	1,817,714	0	0	0	0
Property Taxes Receivable	5,981,150	0	5,981,150	6,783,960	0	0	0
Allowance for Uncollectible Property Taxes	(290,290)	0	(290,290)	(322,336)	0	0	0
Prepaid Items	0	25,230	25,230	0	103,998	17,874	13,137
Accrued Interest Receivable	7,950	0	7,950	0	0	0	0
Other Current Assets	0	0	0	0	189,725	0	0
Restricted Assets:							
Cash and Cash Equivalents	0	0	0	0	0	78,188	0
Patient Trust	0	23,041	23,041	0	0	0	0
Net Pension Asset - Agent Plan	439,327	0	439,327	461,858	0	198,088	0
Net Pension Asset - Cost-sharing Plan	0	0	0	58,591	0	0	0
Capital Assets:							
Assets Not Depreciated:							
Land	1,929,017	26,700	1,955,717	1,149,600	274,533	140,550	0
Construction in Progress	0	0	0	0	12,188	0	0
Assets Net of Accumulated Depreciation:							
Buildings and Improvements	10,615,489	294,744	10,910,233	36,785,501	11,867,494	1,292,231	0
Infrastructure	7,498,147	0	7,498,147	0	0	0	0
Other Capital Assets	2,908,961	39,316	2,948,277	298,673	3,426,531	496,253	29
Total Assets	$ 39,442,901	$ 1,443,702	$ 40,886,603	$ 49,548,122	$ 37,757,295	$ 3,057,543	$ 90,614
DEFERRED OUTFLOWS OF RESOURCES							
Pension Changes in Experience	$ 0	$ 0	$ 0	$ 142,243	$ 0	$ 0	$ 0
Pension Contributions After Measurement Date	500,010	0	500,010	1,443,867	306,332	15,683	0
Total Deferred Outflows of Resources	$ 500,010	$ 0	$ 500,010	$ 1,586,110	$ 306,332	$ 15,683	$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
LIABILITIES							
Accounts Payable	$ 46,211	$ 17,347	$ 63,558	$ 27,497	$ 1,766,108	$ 5,654	$ 4,951
Accrued Management Fee	0	1,240,786	1,240,786	0	0	0	0
Other Accrued Expenses	0	132,646	132,646	0	2,165,799	29,830	0
Accrued Payroll	212,667	0	212,667	0	0	0	0
Payroll Deductions Payable	17,912	0	17,912	160,677	0	0	541
Due to Primary Government	0	0	0	1,817,714	0	0	0
Accrued Interest Payable	178,981	0	178,981	0	0	0	0
Assets:							
Patient Trust	0	23,041	23,041	0	0	0	0
Noncurrent Liabilities:							
Due Within One Year	1,768,425	0	1,768,425	213,147	522,507	30,000	0
Due in More Than One Year (net of deferred discount on debt and unamortized premium on debt)	44,706,568	0	44,706,568	5,697,494	8,319,142	1,122,285	0
Total Liabilities	$ 46,930,764	$ 1,413,820	$ 48,344,584	$ 7,916,529	$ 12,773,556	$ 1,187,769	$ 5,492
DEFERRED INFLOWS OF RESOURCES							
Deferred Current Property Taxes	$ 5,445,951	$ 0	$ 5,445,951	$ 6,195,956	$ 0	$ 0	$ 0
Pension Changes in Experience	140,547	0	140,547	147,755	262,391	245	0
Pension Changes in Investment Earnings	723,533	0	723,533	5,588,125	1,865,959	28,197	0
Pension Other Deferrals	0	0	0	72,813	0	0	0
Total Deferred Inflows of Resources	$ 6,310,031	$ 0	$ 6,310,031	$ 12,004,649	$ 2,128,350	$ 28,442	$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
NET POSITION							
Net Investment in Capital Assets	$ 11,345,444	$ 360,760	$ 11,706,204	$ 38,233,774	$ 7,936,677	$ 776,749	$ 29
Restricted for:							
General Government	99,651	0	99,651	0	0	0	0
Finance	8,555	0	8,555	0	0	0	0
Administration of Justice	76,427	0	76,427	0	0	0	0
Public Safety	170,045	0	170,045	0	0	0	0
Public Health and Welfare	14,914	0	14,914	0	0	0	0
Social, Cultural, and Recreational Services	545,074	0	545,074	0	0	0	0
Highway/Public Works	189,818	0	189,818	0	0	0	0
Education	0	0	0	544,267	0	0	0
Operation of Non-instructional Services	0	0	0	295,680	0	78,188	0
Debt Service	2,377,952	0	2,377,952	0	0	0	0
Capital Projects	0	0	0	765,668	0	0	0
Other Purposes	439,327	0	439,327	0	0	198,088	0
Unrestricted	(28,565,091)	(330,878)	(28,895,969)	(8,626,335)	15,225,044	803,990	85,093
Total Net Position	$ (13,297,884)	$ 29,882	$ (13,268,002)	$ 31,213,054	$ 23,161,721	$ 1,857,015	$ 85,122

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

Exhibit B

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position						
					Primary Government			Component Units			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District	Hardin County Convention and Visitors Bureau
Primary Government:											
Governmental Activities:											
General Government	$ 2,343,976	$ 244,144	$ 100,972	$ 0	$ (1,998,860)	$ 0	$ (1,998,860)	$ 0	$ 0	$ 0	$ 0
Finance	985,164	765,580	0	0	(219,584)	0	(219,584)	0	0	0	0
Administration of Justice	751,005	674,701	12,152	0	(64,152)	0	(64,152)	0	0	0	0
Public Safety	5,633,387	700,845	767	823,598	(4,108,177)	0	(4,108,177)	0	0	0	0
Public Health and Welfare	2,420,505	388,808	302,074	5,300	(1,724,323)	0	(1,724,323)	0	0	0	0
Social, Cultural, and Recreational Services	627,076	8,445	30,892	19,004	(568,735)	0	(568,735)	0	0	0	0
Agriculture and Natural Resources	196,474	122,649	3,000	0	(70,825)	0	(70,825)	0	0	0	0
Highways/Public Works	3,854,452	0	1,880,606	230,437	(1,743,409)	0	(1,743,409)	0	0	0	0
Interest on Long-term Debt	2,366,276	0	2,517,606	0	151,330	0	151,330	0	0	0	0
Total Governmental Activities	$ 19,178,315	$ 2,905,172	$ 4,848,069	$ 1,078,339	$ (10,346,735)	$ 0	$ (10,346,735)	$ 0	$ 0	$ 0	$ 0
Business-type Activities:											
Park Rest Hardin County Health Center	$ 2,639,447	$ 2,611,066	$ 0	$ 0	$ 0	$ (28,381)	$ (28,381)	$ 0	$ 0	$ 0	$ 0
Total Business-type Activities	$ 2,639,447	$ 2,611,066	$ 0	$ 0	$ 0	$ (28,381)	$ (28,381)	$ 0	$ 0	$ 0	$ 0
Total Primary Government	$ 21,817,762	$ 5,516,238	$ 4,848,069	$ 1,078,339	$ (10,346,735)	$ (28,381)	$ (10,375,116)	$ 0	$ 0	$ 0	$ 0
Component Units:											
School Department	$ 33,317,667	$ 376,791	$ 5,394,130	$ 0	$ 0	$ 0	0	$ (27,546,746)	$ 0	$ 0	$ 0
Hardin Medical Center	37,166,992	39,342,897	1,058,509	0	0	0	0	0	3,234,414	0	0
Emergency Communications District	812,669	547,147	279,594	0	0	0	0	0	0	14,072	0
Hardin County Convention and Visitors Bureau	262,520	6,049	18,600	0	0	0	0	0	0	0	(237,871)
Total Component Units	$ 71,559,848	$ 40,272,884	$ 6,750,833	$ 0	$ 0	$ 0	0	$ (27,546,746)	$ 3,234,414	$ 14,072	$ (237,871)

(Continued)

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Total Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Hardin County School Department	Component Units: Hardin Medical Center	Component Units: Emergency Communications District	Component Units: Hardin County Convention and Visitors Bureau
General Revenues:											
Taxes:											
Property Taxes Levied for General Purposes					$ 5,871,811	$ 0	$ 5,871,811	$ 6,619,295	$ 0	$ 0	$ 0
Property Taxes Levied for Debt Service					229,182	0	229,182	0	0	0	0
Local Option Sales Taxes					914,701	0	914,701	3,902,406	0	0	0
Hotel/Motel Tax					213,323	0	213,323	0	0	0	202,656
Wheel Tax					1,095,363	0	1,095,363	0	0	0	0
Litigation Tax					177,250	0	177,250	0	0	0	0
Business Tax					276,699	0	276,699	0	0	0	0
Mineral Severance Tax					56,145	0	56,145	0	0	0	0
Wholesale Beer Tax					291,030	0	291,030	0	0	0	0
Other Local Taxes					25,374	0	25,374	24,270	0	0	0
Grants and Contributions Not Restricted to Specific Programs					1,594,822	0	1,594,822	16,348,957	135,572	125,947	0
Unrestricted Investment Income					44,980	81	45,061	0	114,000	3,203	0
Miscellaneous					0	2,516	2,516	31,641	102,381	18,350	1,625
Pension Income					11,715	0	11,715	74,699	170,489	12,724	0
Total General Revenues					$ 10,802,395	$ 2,597	$ 10,804,992	$ 27,001,268	$ 522,442	$ 160,224	$ 204,281
Change in Net Position					$ 455,660	$ (25,784)	$ 429,876	$ (545,478)	$ 3,756,856	$ 174,296	$ (33,590)
Net Position, July 1, 2014					(13,317,076)	55,666	(13,261,410)	36,979,232	22,901,284	1,525,797	118,712
Restatement - Pension Liability (See Note I.D.8)					(436,468)	0	(436,468)	(5,220,700)	0	0	0
Restatement - Pension Liability (See Note VII.B.17)					0	0	0	0	(3,496,419)	0	0
Restatement - Pension Asset (See Note VIII.B.3)					0	0	0	0	0	156,922	0
Net Position, June 30, 2015					$ (13,297,884)	$ 29,882	$ (13,268,002)	$ 31,213,054	$ 23,161,721	$ 1,857,015	$ 85,122

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS						
Cash	$ 0	$ 0	$ 0	$ 0	$ 272	$ 272
Equity in Pooled Cash and Investments	4,074,789	518,621	1,420,424	1,209,721	146,302	7,369,857
Accounts Receivable	59,644	150	2,048	0	33,173	95,015
Due from Other Governments	461,182	360,024	0	74,061	175,025	1,070,292
Due from Other Funds	272	0	0	0	0	272
Due from Component Units	0	0	0	281,575	0	281,575
Property Taxes Receivable	4,991,352	613,166	204,389	0	172,243	5,981,150
Allowance for Uncollectible Property Taxes	(244,251)	(31,282)	(10,427)	0	(4,330)	(290,290)
Accrued Interest Receivable	7,950	0	0	0	0	7,950
Total Assets	$ 9,350,938	$ 1,460,679	$ 1,616,434	$ 1,565,357	$ 522,685	$ 14,516,093
LIABILITIES						
Accounts Payable	$ 34,133	$ 0	$ 0	$ 0	$ 12,078	$ 46,211
Accrued Payroll	187,570	0	0	0	25,097	212,667
Payroll Deductions Payable	15,848	100	0	0	1,964	17,912
Due to Other Funds	0	0	0	0	272	272
Total Liabilities	$ 237,551	$ 100	$ 0	$ 0	$ 39,411	$ 277,062
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	$ 4,539,224	$ 554,110	$ 184,704	$ 0	$ 167,913	$ 5,445,951
Deferred Delinquent Property Taxes	192,149	25,673	8,558	0	0	226,380
Other Deferred/Unavailable Revenue	201,155	177,292	0	182,007	88,633	649,087
Total Deferred Inflows of Resources	$ 4,932,528	$ 757,075	$ 193,262	$ 182,007	$ 256,546	$ 6,321,418

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
FUND BALANCES	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern-mental Funds	Total Governmental Funds
Restricted:						
Restricted for General Government	$ 7,166	$ 0	$ 0	$ 0	$ 0	$ 7,166
Restricted for Finance	8,555	0	0	0	0	8,555
Restricted for Administration of Justice	76,427	0	0	0	0	76,427
Restricted for Public Safety	109,701	0	0	0	60,344	170,045
Restricted for Public Health and Welfare	14,914	0	0	0	0	14,914
Restricted for Social, Cultural, and Recreational Services	545,074	0	0	0	0	545,074
Restricted for Other Operations	92,485	0	0	0	0	92,485
Restricted for Debt Service	0	0	978,020	1,383,350	0	2,361,370
Committed:						
Committed for Administration of Justice	104,128	0	0	0	0	104,128
Committed for Public Safety	516,934	0	0	0	0	516,934
Committed for Public Health and Welfare	288,786	0	0	0	166,384	455,170
Committed for Highways/Public Works	0	703,504	0	0	0	703,504
Committed for Debt Service	0	0	445,152	0	0	445,152
Assigned:						
Assigned for General Government	421	0	0	0	0	421
Assigned for Administration of Justice	12,084	0	0	0	0	12,084
Assigned for Public Safety	71,186	0	0	0	0	71,186
Assigned for Public Health and Welfare	557	0	0	0	0	557
Assigned for Social, Cultural, and Recreational Services	2,079	0	0	0	0	2,079
Assigned for Other Operations	77,405	0	0	0	0	77,405
Unassigned	2,252,957	0	0	0	0	2,252,957
Total Fund Balances	$ 4,180,859	$ 703,504	$ 1,423,172	$ 1,383,350	$ 226,728	$ 7,917,613
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 9,350,938	$ 1,460,679	$ 1,616,434	$ 1,565,357	$ 522,685	$ 14,516,093

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 7,917,613
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 1,929,017	
Add: buildings and improvements net of accumulated depreciation	10,615,489	
Add: infrastructure net of accumulated depreciation	7,498,147	
Add: other capital assets net of accumulated depreciation	2,908,961	22,951,614
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	$ (7,900)	
Less: capital leases payable	(2,241,161)	
Less: bonds payable	(43,470,000)	
Add: debt to be contributed by the School Department	1,536,139	
Add: deferred charges - discount on debt issued	1,752	
Less: compensated absences payable	(155,221)	
Less: landfill postclosure care costs	(302,443)	
Less: other postemployment benefits liability	(229,507)	
Less: accrued interest on bonds and capital leases	(178,981)	
Less: unamortized premium on debt	(70,513)	(45,117,835)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	$ 500,010	
Less: deferred inflows of resources related to pensions	(864,080)	(364,070)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		439,327
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		875,467
Net position of governmental activities (Exhibit A)		$ (13,297,884)

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

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 6,877,338	$ 866,400	$ 231,874	$ 364,889	$ 840,012	$ 9,180,513
Licenses and Permits	109,457	0	0	0	0	109,457
Fines, Forfeitures, and Penalties	198,168	0	0	0	27,621	225,789
Charges for Current Services	152,922	0	0	0	374,391	527,313
Other Local Revenues	218,068	7,291	67,788	4,245	15,295	312,687
Fees Received from County Officials	1,346,558	0	0	0	0	1,346,558
State of Tennessee	2,220,299	2,140,376	19,847	0	4,600	4,385,122
Federal Government	834,202	11,414	0	593,791	0	1,439,407
Other Governments and Citizens Groups	141,744	0	464,066	1,819,786	4,705	2,430,301
Total Revenues	$ 12,098,756	$ 3,025,481	$ 783,575	$ 2,782,711	$ 1,266,624	$ 19,957,147
Expenditures						
Current:						
General Government	$ 1,223,646	$ 0	$ 0	$ 0	$ 0	$ 1,223,646
Finance	782,029	0	0	0	0	782,029
Administration of Justice	586,013	0	0	0	2,820	588,833
Public Safety	4,891,908	0	0	0	41,426	4,933,334
Public Health and Welfare	826,024	0	0	0	1,350,330	2,176,354
Social, Cultural, and Recreational Services	356,346	0	0	0	0	356,346
Agriculture and Natural Resources	147,113	0	0	0	0	147,113
Other Operations	3,057,037	0	0	0	200,062	3,257,099
Highways	0	2,670,185	0	0	0	2,670,185
Debt Service:						
Principal on Debt	195,781	0	882,201	850,000	0	1,927,982
Interest on Debt	26,374	0	512,333	1,830,145	0	2,368,852
Other Debt Service	0	0	47,314	7,255	0	54,569
Total Expenditures	$ 12,092,271	$ 2,670,185	$ 1,441,848	$ 2,687,400	$ 1,594,638	$ 20,486,342

(Continued)

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern-mental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues						
Over Expenditures	$ 6,485	$ 355,296	$ (658,273)	$ 95,311	$ (328,014)	$ (529,195)
Other Financing Sources (Uses)						
Capital Leases Issued	$ 135,488	$ 0	$ 0	$ 0	$ 224,518	$ 360,006
Insurance Recovery	206,407	0	0	0	0	206,407
Transfers In	0	0	837,982	0	0	837,982
Transfers Out	(613,693)	(224,289)	0	0	0	(837,982)
Total Other Financing Sources (Uses)	$ (271,798)	$ (224,289)	$ 837,982	$ 0	$ 224,518	$ 566,413
Net Change in Fund Balances	$ (265,313)	$ 131,007	$ 179,709	$ 95,311	$ (103,496)	$ 37,218
Fund Balance, July 1, 2014	4,446,172	572,497	1,243,463	1,288,039	330,224	7,880,395
Fund Balance, June 30, 2015	$ 4,180,859	$ 703,504	$ 1,423,172	$ 1,383,350	$ 226,728	$ 7,917,613

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

Exhibit C-4

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

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

Net change in fund balances - total governmental funds (Exhibit C-3)		$ 37,218
(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	$ 1,255,784	
Less: current-year depreciation expense	(2,571,384)	(1,315,600)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Add: assets donated and capitalized	$ 23,300	
Less: proceeds received from the disposal of capital assets	(55,469)	(32,169)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	$ 875,467	
Less: deferred delinquent property taxes and other deferred June 30, 2014	(817,148)	58,319
(4) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: capital lease proceeds	$ (360,006)	
Add: change in premium on debt issuances	3,881	
Less: change in discount on debt issuances	(79)	
Add: principal payments on notes	62,150	
Add: principal payments on capital leases	380,832	
Add: principal payments on bonds	1,230,000	
Less: contributions from the School Department for the capital lease	(109,918)	1,206,860
(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	$ 2,576	
Change in compensated absences payable	(4,929)	
Change in landfill postclosure care costs	89	
Change in other postemployment benefits liability	(8,429)	
Change in net pension asset	875,795	
Change in deferred outflows related to pensions	500,010	
Change in deferred inflows related to pensions	(864,080)	501,032
Change in net position of governmental activities (Exhibit B)		$ 455,660

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

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 6,877,338	$ 0	$ 0	$ 6,877,338	$ 6,671,554	$ 6,671,554	$ 205,784
Licenses and Permits	109,457	0	0	109,457	106,460	106,460	2,997
Fines, Forfeitures, and Penalties	198,168	0	0	198,168	188,445	188,445	9,723
Charges for Current Services	152,922	0	0	152,922	160,550	165,050	(12,128)
Other Local Revenues	218,068	0	0	218,068	145,150	194,237	23,831
Fees Received from County Officials	1,346,558	0	0	1,346,558	1,331,800	1,335,000	11,558
State of Tennessee	2,220,299	0	0	2,220,299	2,239,580	2,281,408	(61,109)
Federal Government	834,202	0	0	834,202	141,290	853,432	(19,230)
Other Governments and Citizens Groups	141,744	0	0	141,744	95,213	151,325	(9,581)
Total Revenues	$ 12,098,756	$ 0	$ 0	$ 12,098,756	$ 11,080,042	$ 11,946,911	$ 151,845
Expenditures							
General Government							
County Commission	$ 73,689	$ 0	$ 0	$ 73,689	$ 70,539	$ 82,539	$ 8,850
Board of Equalization	900	0	0	900	1,500	1,500	600
Beer Board	3,360	0	0	3,360	4,075	4,075	715
Other Boards and Committees	500	0	0	500	1,700	1,700	1,200
County Mayor/Executive	155,300	(300)	0	155,000	154,373	155,338	338
County Attorney	3,990	0	0	3,990	4,000	4,000	10
Election Commission	172,383	(1,144)	0	171,239	164,091	178,793	7,554
Register of Deeds	147,136	0	0	147,136	152,146	152,146	5,010
County Buildings	666,388	(9,612)	421	657,197	632,814	681,672	24,475
Finance							
Accounting and Budgeting	117,068	(27)	0	117,041	116,592	117,552	511
Property Assessor's Office	186,561	0	0	186,561	195,630	196,366	9,805
Reappraisal Program	43,155	0	0	43,155	45,250	45,250	2,095
County Trustee's Office	177,423	0	0	177,423	182,124	182,124	4,701
County Clerk's Office	257,822	0	0	257,822	256,752	261,200	3,378
Administration of Justice							
Circuit Court	314,317	0	168	314,485	309,879	325,604	11,119
General Sessions Court	145,532	0	0	145,532	145,128	145,936	404

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Administration of Justice (Cont.)							
Drug Court	$ 0	$ 0	$ 11,916	$ 11,916	$ 10,500	$ 10,500	$ (1,416)
Chancery Court	126,164	0	0	126,164	129,634	130,266	4,102
Public Safety							
Sheriff's Department	1,395,113	0	7,387	1,402,500	1,361,885	1,512,309	109,809
Traffic Control	16,133	0	0	16,133	18,203	36,576	20,443
Administration of the Sexual Offender Registry	1,093	0	0	1,093	1,400	1,400	307
Jail	1,505,758	0	1,420	1,507,178	1,551,942	1,579,531	72,353
Juvenile Services	112,499	0	350	112,849	117,197	117,749	4,900
Fire Prevention and Control	1,457,010	0	28,264	1,485,274	634,291	1,498,333	13,059
Civil Defense	125,181	0	33,765	158,946	89,944	159,209	263
Other Public Safety	279,121	0	0	279,121	284,838	284,838	5,717
Public Health and Welfare							
Local Health Center	130,028	0	0	130,028	161,100	161,100	31,072
Rabies and Animal Control	295,870	0	0	295,870	257,238	339,810	43,940
Ambulance/Emergency Medical Services	235,800	0	0	235,800	198,000	236,725	925
Alcohol and Drug Programs	9,966	0	0	9,966	9,966	9,966	0
Crippled Children Services	2,005	0	0	2,005	2,005	2,005	0
Other Local Health Services	30,663	0	0	30,663	24,246	31,421	758
General Welfare Assistance	22,104	0	0	22,104	24,040	24,040	1,936
Other Local Welfare Services	10,000	0	0	10,000	10,000	10,000	0
Sanitation Education/Information	89,588	0	557	90,145	90,974	91,574	1,429
Social, Cultural, and Recreational Services							
Senior Citizens Assistance	74,821	0	600	75,421	87,362	87,362	11,941
Libraries	215,655	0	1,479	217,134	744,585	746,082	528,948
Other Social, Cultural, and Recreational	65,870	0	0	65,870	71,750	71,750	5,880
Agriculture and Natural Resources							
Agricultural Extension Service	78,065	0	0	78,065	78,279	78,279	214
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	25,794	0	0	25,794	25,794	25,794	0
Flood Control	36,890	0	0	36,890	38,000	38,000	1,110

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Agriculture and Natural Resources (Cont.)							
Other Agriculture and Natural Resources	$ 5,364	$ 0	$ 0	$ 5,364	$ 6,050	$ 6,050	$ 686
Other Operations							
Tourism	172,668	0	21,421	194,089	180,000	200,000	5,911
Tourism-resort District	663,066	0	55,984	719,050	714,000	718,000	(1,050)
Industrial Development	66,670	0	0	66,670	68,800	68,800	2,130
Other Economic and Community Development	98,569	0	0	98,569	125,750	139,688	41,119
Airport	59,243	0	0	59,243	25,000	59,444	201
Veterans' Services	49,846	0	0	49,846	49,920	49,920	74
Other Charges	297,695	0	0	297,695	289,863	299,817	2,122
Contributions to Other Agencies	15,500	0	0	15,500	15,500	15,500	0
Employee Benefits	1,624,828	0	0	1,624,828	1,694,132	1,696,796	71,968
Miscellaneous	8,952	0	0	8,952	9,700	10,010	1,058
Principal on Debt							
General Government	195,781	0	0	195,781	0	195,783	2
Interest on Debt							
General Government	26,374	0	0	26,374	0	26,375	1
Total Expenditures	$ 12,092,271	$ (11,083)	$ 163,732	$ 12,244,920	$ 11,639,481	$ 13,307,597	$ 1,062,677
Excess (Deficiency) of Revenues Over Expenditures	$ 6,485	$ 11,083	$ (163,732)	$ (146,164)	$ (559,439)	$ (1,360,686)	$ 1,214,522
Other Financing Sources (Uses)							
Capital Leases Issued	$ 135,488	$ 0	$ 0	$ 135,488	$ 0	$ 135,488	$ 0
Insurance Recovery	206,407	0	0	206,407	0	208,801	(2,394)
Transfers Out	(613,693)	0	0	(613,693)	(604,178)	(613,694)	1
Total Other Financing Sources	$ (271,798)	$ 0	$ 0	$ (271,798)	$ (604,178)	$ (269,405)	$ (2,393)
Net Change in Fund Balance	$ (265,313)	$ 11,083	$ (163,732)	$ (417,962)	$ (1,163,617)	$ (1,630,091)	$ 1,212,129
Fund Balance, July 1, 2014	4,446,172	(11,083)	0	4,435,089	4,339,834	4,339,834	95,255
Fund Balance, June 30, 2015	$ 4,180,859	$ 0	$ (163,732)	$ 4,017,127	$ 3,176,217	$ 2,709,743	$ 1,307,384

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

Exhibit C-6

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

	Actual	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 866,400	$ 889,148	$ 889,148	$ (22,748)
Other Local Revenues	7,291	45,000	45,000	(37,709)
State of Tennessee	2,140,376	2,091,177	2,091,177	49,199
Federal Government	11,414	163,000	163,000	(151,586)
Total Revenues	$ 3,025,481	$ 3,188,325	$ 3,188,325	$ (162,844)
Expenditures				
Highways				
Administration	$ 280,868	$ 294,074	$ 294,074	$ 13,206
Highway and Bridge Maintenance	1,027,272	1,247,434	1,247,434	220,162
Operation and Maintenance of Equipment	404,583	504,418	504,418	99,835
Other Charges	193,741	416,289	195,266	1,525
Employee Benefits	443,548	468,815	468,815	25,267
Capital Outlay	320,173	367,290	364,024	43,851
Total Expenditures	$ 2,670,185	$ 3,298,320	$ 3,074,031	$ 403,846
Excess (Deficiency) of Revenues Over Expenditures	$ 355,296	$ (109,995)	$ 114,294	$ 241,002
Other Financing Sources (Uses)				
Transfers Out	$ (224,289)	$ 0	$ (224,289)	$ 0
Total Other Financing Sources	$ (224,289)	$ 0	$ (224,289)	$ 0
Net Change in Fund Balance	$ 131,007	$ (109,995)	$ (109,995)	$ 241,002
Fund Balance, July 1, 2014	572,497	445,401	445,401	127,096
Fund Balance, June 30, 2015	$ 703,504	$ 335,406	$ 335,406	$ 368,098

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

Exhibit D-1

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

	Major Fund
	Business-type Activities - Enterprise Fund
	Park Rest Hardin County Health Center
ASSETS	
Current Assets:	
Cash	$ 129,873
Inventories	6,552
Accounts Receivable	217,723
Due from Hardin Home	680,523
Prepaid Items	25,230
Restricted Assets:	
Patient Trust	23,041
Total Current Assets	$ 1,082,942
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	$ 26,700
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	294,744
Other Capital Assets	39,316
Total Noncurrent Assets	$ 360,760
Total Assets	$ 1,443,702
LIABILITIES	
Liabilities:	
Accounts Payable	$ 17,347
Accrued Management Fee	1,240,786
Other Accrued Expenses	132,646
Current Liabilities Payable from Restricted Assets:	
Patient Trust	23,041
Total Liabilities	$ 1,413,820
NET POSITION	
Net Investment in Capital Assets	$ 360,760
Unrestricted	(330,878)
Net Position	$ 29,882

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

Exhibit D-2

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

	Major Fund Business-type Activities - Enterprise Fund Park Rest Hardin County Health Center
Operating Revenues	
Charges for Current Services	
Patient Revenues	$ 2,840,633
Uncollectible Accounts	(229,567)
Total Operating Revenues	$ 2,611,066
Operating Expenses	
Administrative	$ 908,527
Dietary	270,916
Housekeeping	138,395
Laundry	161,057
Operation and Maintenance	154,400
Nursing	895,221
Social Service	66,093
Depreciation	44,838
Total Operating Expenses	$ 2,639,447
Operating Income (Loss)	$ (28,381)
Nonoperating Revenues (Expenses)	
Investment Income	$ 81
Miscellaneous Income	2,516
Total Nonoperating Revenues (Expenses)	$ 2,597
Net Income (Loss)	$ (25,784)
Change in Net Position	$ (25,784)
Net Position, July 1, 2014	55,666
Net Position, June 30, 2015	$ 29,882

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

Exhibit D-3

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

		Major Fund / Business-type Activities - Enterprise Fund / Park Rest Hardin County Health Center
Cash Flows from Operating Activities		
Receipts from Patient Services	$	2,570,608
Payments to Suppliers		(908,734)
Payments to Employees		(1,571,490)
Other Operating Cash Receipts		2,516
Net Cash Provided By (Used In) Operating Activities	$	92,900
Cash Flows from Investing Activities		
Interest Income	$	81
Net Cash Provided By (Used In) Investing Activities	$	81
Cash Flows from Capital and Related Financing Activities		
Purchase of Equipment	$	(2,917)
Net Cash Provided By (Used In) Capital and Related Financing Activities	$	(2,917)
Net Increase (Decrease) in Cash	$	90,064
Cash, July 1, 2014		39,809
Cash, June 30, 2015	$	129,873

(Continued)

Exhibit D-3

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

		Major Fund
		Business-type Activities - Enterprise Fund
		Park Rest Hardin County Health Center
Reconciliation of Net Operating Income to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	$	(28,381)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation		44,838
Other Revenue		2,516
Changes in Assets and Liabilities:		
Inventories		(1,050)
Accounts Receivable		(40,458)
Due from Hardin Home		(59,068)
Prepaid Items		(1,188)
Accounts Payable		(2,677)
Accrued Management Fee		182,774
Other Accrued Expenses		(4,406)
Net Cash Provided By (Used In) Operating Activities	$	92,900
Reconciliation of Cash With the Statement of Net Position		
Cash Per Net Position	$	129,873
Cash, June 30, 2015	$	129,873

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

Exhibit E

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

	Agency Funds
ASSETS	
Cash	$ 550,760
Due from Other Governments	542,730
Cash Shortage	6,413
Total Assets	$ 1,099,903
LIABILITIES	
Due to Other Taxing Units	$ 542,730
Due to Litigants, Heirs, and Others	557,173
Total Liabilities	$ 1,099,903

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

HARDIN COUNTY, TENNESSEE
Index of Notes to the Financial Statements

(Continued)

HARDIN COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hardin 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 Hardin County:

A. Reporting Entity

Hardin County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Hardin 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 Hardin County School Department operates the public school system in the county, and the voters of Hardin 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 Hardin County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardin County, and the Hardin County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Hardin Medical Center is a community medical center providing general and specialized medical services to patients. Included as part of the Hardin Medical Center are the HMC Health and Rehabilitation Center, an intermediate and skilled care facility, and the HMC Physician Services, Inc., a physician practice, which provides medical and other health care services. The Hardin County Commission appoints the Hardin Medical Center's governing body, which also oversees the Hardin County Nursing Home. Hardin County is financially obligated to retire general obligation bonds of the Hardin Medical Center in the event of default by the hospital.

The Hardin County Convention and Visitors Bureau is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote tourism in the county. The Hardin County Commission appoints the Hardin County Convention and Visitors Bureau's governing body and provides a significant amount of the bureau's funding.

The Hardin 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 Hardin County Emergency Communications District, Hardin Medical Center, and Hardin County Convention and Visitors Bureau can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Hardin County Emergency Communications District
465 Main Street
Savannah, TN 38372

Hardin Medical Center
935 Wayne Road
Savannah, TN 38372

Hardin County Convention and Visitors Bureau
495 Main Street
Savannah, TN 38372

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds (internal service and enterprise), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements of the discretely presented Hardin County School Department, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

C. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

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

Fund financial statements of Hardin 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 outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hardin County only reports one proprietary fund, a major enterprise fund, and the discretely presented School Department reports one proprietary fund, an internal service fund.

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

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. Hardin 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 debt service funds for payments to be made early in the following year.

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

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

Hardin County reports the following major governmental funds:

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

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

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.

Rural Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on school improvement projects for which the City of Savannah contributes a portion of its sales tax.

Hardin County reports the following major enterprise fund:

Park Rest Hardin County Health Center – This fund accounts for the transactions of the county-owned health center.

Additionally, Hardin County reports the following fund type:

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 Hardin 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 Hardin County School Department reports the following major governmental fund:

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

Additionally, the Hardin County School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund accounts for the receipt of debt issued by Hardin County and contributed to the School Department for building construction and renovation and the acquisition of other major capital assets.

Internal Service Fund – The Employee Insurance Fund is used to account for transactions pertaining to the Hardin County School Department's dental insurance plan.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund (enterprise fund) used to account for a health care center. The discretely presented School Department has one proprietary fund (internal service fund) used to account for a self-insurance dental program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's proprietary fund is charges for services. The principal operating revenue for the discretely presented School Department's internal service fund is self-insurance premiums. Operating expenses include administrative expenses and dental claims.

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

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash in the internal service fund of the discretely presented Hardin County School Department consists entirely of cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hardin County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State

Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. <u>Receivables and Payables</u>

Activity between funds for unremitted current collections outstanding 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 2.51 percent of total taxes levied.

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

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

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

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

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

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

Assets	Years
Primary Government:	
Buildings and Improvements	25
Other Capital Assets	5 - 10
Infrastructure:	
Roads	10 - 20
Bridges	30
School Department:	
Land Improvements	20
Buildings and Improvements	25
Other Capital Assets	5 - 15

4. Deferred Outflows/Inflows of Resources

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

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

5. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. The Hardin County Highway Department allows its employees to accrue no more than five vacation days at year-end, except with special permission from the Highway Commissioner. All vacation leave for the primary government is accrued when incurred in the government-wide statements for the county. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. The granting of sick leave for employees of Hardin County has no guaranteed payment attached and therefore is not required to be accrued or recorded.

It is the School Department's policy to permit professional employees to accumulate an unlimited amount of earned but unused sick leave days and support staff to accumulate earned but unused sick leave up to 120 days. Upon leaving employment, professional employees and support staff receive $10 per day for unused sick days. The policy permits 12-month support staff to accumulate an unlimited amount of earned but unused annual and sick leave days. Upon leaving employment, 12-month support staff are compensated at their daily rate of pay for unused annual and sick leave. All annual and sick leave benefits for the School Department are accrued when incurred in the government-wide statements. A liability for annual and sick leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. **Long-term Obligations**

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

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

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

7. **Net Position and Fund Balance**

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

a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

The government-wide Statement of Net Position reports $3,921,763 of restricted net position, of which $92,485 is restricted by enabling legislation.

As of June 30, 2015, Hardin County had $34,111,139 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. This debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardin County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

8. **Restatements**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement decreasing Hardin County's Governmental Activities beginning net position by $436,468 has been recognized on the Statement of Activities. In addition, a restatement decreasing the Hardin County School Department's beginning net position by $5,220,700 has been recognized on the Statement of Activities for liabilities of the pension agent plan ($458,850) and the pension cost-sharing plan ($4,761,850).

E. **Pension Plans**

Primary Government

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

For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Hardin County School Department

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hardin County School Department

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

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

Primary Government

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

Discretely Presented Hardin County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortage – Prior Year

On February 14, 2014, an investigative report by the Comptroller's Division of Investigations, Special Investigations Unit revealed that beginning at least in March 2012 and continuing through April 2013, a deputy clerk misappropriated cash totaling at least $15,008 from the office. The deputy admitted to investigators that she took cash from daily collections for her personal use and used cash collected on subsequent days to conceal the misappropriation. Additionally, the deputy subverted the clerk's established practice of rotating deposit duties among deputy clerks by voluntarily making all of the daily deposits. This enabled the deputy to continue her misappropriation scheme undetected. On May 17, 2014, the former deputy pled guilty to theft and official misconduct and was ordered to pay restitution ($13,539) plus court costs. The outstanding cash shortage totaled $6,413 at June 30, 2015.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the following funds:

Fund/Major Appropriation Category		Amount Overspent
Primary Government:		
General:		
Administration of Justice - Drug Court	$	1,416
Other Operations - Tourism-resort District		1,050
Discretely Presented Hardin County School Department:		
General Purpose School:		
Other Debt Service - Education		21,468

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hardin County (excluding the Park Rest Hardin County Health Center, enterprise fund) and the Hardin 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.

<u>Investments</u>

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

The county had no pooled and nonpooled investments as of June 30, 2015.

B. <u>Capital Assets</u>

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

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 1,935,585	$ 5,300	$ 11,868	$ 1,929,017
Total Capital Assets Not Depreciated	$ 1,935,585	$ 5,300	$ 11,868	$ 1,929,017
Capital Assets Depreciated:				
Buildings and Improvements	$ 16,584,541	$ 51,499	$ 0	$ 16,636,040
Infrastructure	40,672,561	0	0	40,672,561
Other Capital Assets	9,994,751	1,222,285	277,529	10,939,507
Total Capital Assets Depreciated	$ 67,251,853	$ 1,273,784	$ 277,529	$ 68,248,108
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 5,475,441	$ 545,110	$ 0	$ 6,020,551
Infrastructure	32,044,302	1,130,112	0	33,174,414
Other Capital Assets	7,368,312	896,162	233,928	8,030,546
Total Accumulated Depreciation	$ 44,888,055	$ 2,571,384	$ 233,928	$ 47,225,511
Total Capital Assets Depreciated, Net	$ 22,363,798	$ (1,297,600)	$ 43,601	$ 21,022,597
Governmental Activities Capital Assets, Net	$ 24,299,383	$ (1,292,300)	$ 55,469	$ 22,951,614

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

Governmental Activities:

General Government	$ 29,597
Finance	10,731
Administration of Justice	11,126
Public Safety	871,675
Public Health and Welfare	199,621
Social, Cultural, and Recreational Services	95,741
Agriculture and Natural Resources	43,812
Highways/Public Works	1,309,081
Total Depreciation Expense - Governmental Activities	$ 2,571,384

Discretely Presented Hardin County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	$ 1,149,600	$ 0	$ 1,149,600
Total Capital Assets Not Depreciated	$ 1,149,600	$ 0	$ 1,149,600
Capital Assets Depreciated:			
Buildings and Improvements	$ 66,392,327	$ 89,670	$ 66,481,997
Other Capital Assets	2,178,097	13,999	2,192,096
Total Capital Assets Depreciated	$ 68,570,424	$ 103,669	$ 68,674,093
Less Accumulated Depreciation For:			
Buildings and Improvements	$ 27,397,731	$ 2,298,765	$ 29,696,496
Other Capital Assets	1,677,081	216,342	1,893,423
Total Accumulated Depreciation	$ 29,074,812	$ 2,515,107	$ 31,589,919
Total Capital Assets Depreciated, Net	$ 39,495,612	$ (2,411,438)	$ 37,084,174
Governmental Activities Capital Assets, Net	$ 40,645,212	$ (2,411,438)	$ 38,233,774

There were no decreases in capital assets to report during the year ended June 30, 2015. Depreciation expense was charged to functions of the discretely presented Hardin County School Department as follows:

Governmental Activities:

Instruction	$ 1,511,264
Support Services	637,362
Operation of Non-instructional Services	366,481
Total Depreciation Expense - Governmental Activities	$ 2,515,107

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 272
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	48,294

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit: School Department:	
Governmental Activities	Governmental Activities	$ 1,536,139
Rural Debt Service	General Purpose School	281,575

The amount reflected in governmental activities as Due to the Primary Government from the discretely presented School Department is the balance of the capital lease issued by the county for the School Department as discussed in Note IV.E. The School Department has agreed to contribute the funds necessary to retire the debt.

Interfund Transfers:

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

Transfers Out	Transfers In General Debt Service Fund
General Fund	$ 613,693
Highway/Public Works Fund	224,289
Total	$ 837,982

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

D. Capital Leases

Terms of capital lease obligations outstanding at June 30, 2015, were as follows:

Description	Date of Lease	Length of Lease in Years	Gross Amount of Assets	Interest Rate
Fire Trucks	11-21-05	10	$ 429,882	4.75 %
Fire Trucks	7-31-07	10	495,000	5.38
Fire Truck	6-28-10	10	224,189	5.1
Energy Management Project	6-20-12	14	1,782,319	3.05
Commercial Pumper	3-31-14	9	241,750	3.79
Refuse Collection Truck	9-15-14	3	224,518	1.64
Patrol Cars	12-1-14	2	135,488	3.08

Title to the above-noted assets transfers to Hardin County and the Hardin County School Department at the end of the lease periods. Lease payments are made from the General and General Debt Service funds and by contributions from the School Department to the primary government's General Debt Service Fund.

The assets acquired through capital leases are as follows:

Assets		Governmental Activities
Buildings and Improvements	$	1,782,319
Vehicles and Equipment		1,750,827
Less: Accumulated Depreciation		(1,447,077)
Total Book Value	$	2,086,069

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

Year Ending June 30		Governmental Funds
2016	$	426,012
2017		403,478
2018		221,609
2019		216,268
2020		216,266
2021-2025		879,895
2026-2027		238,310
Total Minimum Lease Payments	$	2,601,838
Less: Amount Representing Interest		(360,677)
Present Value of Minimum Lease Payments	$	2,241,161

E. **Long-term Obligations**

Primary Government

General Obligation Bonds and Notes

Hardin County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and the capital outlay note outstanding were issued for original terms of up to 35 years for bonds and up to seven years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2015, will be retired from the General Debt Service and Rural Debt Service funds.

General obligation bonds, capital outlay note, and capital leases outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	2.84 to 4.125 %	6-1-44	$ 49,600,000	$ 43,470,000
Capital Outlay Note	0	7-31-16	27,650	7,900
Capital Leases	1.64 to 5.38	11-20-26	3,533,146	2,241,161

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

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2016	$ 1,270,000	$ 2,235,129	$ 3,505,129
2017	1,310,000	2,188,177	3,498,177
2018	1,355,000	2,136,801	3,491,801
2019	1,405,000	2,081,108	3,486,108
2020	1,450,000	2,021,699	3,471,699
2021-2025	8,070,000	9,092,146	17,162,146
2026-2030	7,155,000	7,195,628	14,350,628
2031-2035	7,710,000	5,376,819	13,086,819
2036-2040	7,555,000	3,181,324	10,736,324
2041-2044	6,190,000	969,875	7,159,875
Total	$ 43,470,000	$ 36,478,706	$ 79,948,706

Year Ending June 30	Note Principal	Note Interest	Note Total
2016	$ 3,950	$ 0	$ 3,950
2017	3,950	0	3,950
Total	$ 7,900	$ 0	$ 7,900

There is $2,806,522 available in the debt service funds to service long-term debt. Debt per capita, including bonds, the note, and capital leases totaled $1,757, based on the 2010 federal census.

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

Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness		Outstanding 6-30-15
Capital Lease		
Contributions from the General Purpose School Fund		
Energy Management Project	$	1,536,139

Changes in Long-term Obligations

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2014	$ 44,700,000	$ 70,050	$ 2,261,987
Additions	0	0	360,006
Reductions	(1,230,000)	(62,150)	(380,832)
Balance, June 30, 2015	$ 43,470,000	$ 7,900	$ 2,241,161
Balance Due Within One Year	$ 1,270,000	$ 3,950	$ 355,908

	Compensated Absences	Landfill Postclosure Care Costs	Other Postemployment Benefits
Balance, July 1, 2014	$ 150,292	$ 302,532	$ 221,078
Additions	187,140	4,616	26,228
Reductions	(182,211)	(4,705)	(17,799)
Balance, June 30, 2015	$ 155,221	$ 302,443	$ 229,507
Balance Due Within One Year	$ 133,862	$ 4,705	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 46,406,232
Less: Balance Due Within One Year	(1,768,425)
Add: Unamortized Premium on Debt	70,513
Less: Deferred Discount on Debt	(1,752)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 44,706,568

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

Discretely Presented Hardin County School Department

Changes in Long-term Obligations

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

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	$ 594,821	$ 4,926,507
Additions	175,483	874,901
Reductions	(217,071)	(444,000)
Balance, June 30, 2015	$ 553,233	$ 5,357,408
Balance Due Within One Year	$ 213,147	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	$ 5,910,641
Less: Balance Due Within One Year	(213,147)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 5,697,494

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

F. **On-Behalf Payments - Discretely Presented Hardin County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hardin County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were $161,139 and $34,712, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

Hardin County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

Workers' Compensation Insurance

Hardin County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, *Tennessee Code Annotated* (*TCA*), by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding $300,000.

Employee Health Insurance

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

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

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

Employee Health Insurance

The discretely presented Hardin 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, *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.

Employee Dental Insurance

The Hardin County School Department has chosen to establish the Employee Insurance Fund for risks associated with the School Department employees' dental insurance plan. The Employee Insurance Fund is accounted for as an internal service fund in which assets are set aside for claim settlements. The School Department is responsible for maximum benefits equal to $1,000 per employee per year. Employees are responsible for any amount beyond the maximum benefit.

All full-time employees of the Hardin County School Department are eligible to participate. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance Fund establishes claims liabilities based on estimates of the ultimate costs of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two years are as follows:

Employee Insurance Fund

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2013-14	$ 8,459	$ 230,677	$ 229,741	$ 9,395
2014-15	9,395	190,591	193,519	6,467

B. Accounting Changes

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

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

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

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

C. Subsequent Event

On October 20, 2015, Hardin County issued capital outlay notes totaling $750,000 for courthouse and museum renovations.

D. Contingent Liabilities

Hardin County is contingently liable for an $8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the event of default by the medical center. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2015, $2,563,000 has been repaid leaving a balance of $5,437,000. Future principal requirements for the entire loan at June 30, 2015, were $5,437,000. The loan is repayable at a variable interest rate that is determined by the remarketing agent weekly. At June 30, 2015, the variable interest rate was .57 percent.

The attorneys for the county and School Department advised that there were no pending lawsuits, unasserted claims, or assessments that would materially affect the county or School Department's financial statements.

E. Landfill Postclosure Care Costs

Hardin County and the City of Savannah have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county and city have provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Hardin County and the City of Savannah closed their sanitary landfill in 1998. Hardin County and the City of Savannah each agreed to pay 50 percent of the postclosure costs. The $302,443 reported as postclosure care liability at June 30, 2015, represents the county's 50 percent share of the amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Savannah-Hardin County Airport is operated through a joint operations agreement between Hardin County and the City of Savannah. The agreement created a joint board of directors to manage the airport. The board comprises seven members, three of whom are appointed by the Hardin County Commission, three by the City of Savannah, and one member that Hardin County and the City of Savannah alternate appointing. Hardin County has control over budgeting and financing the joint venture only to the extent of its representation by its board members.

The Twenty-fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-fourth Judicial District, Benton, Carroll, Decatur, Hardin, and Henry 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 the judicial district. Hardin County made no contributions to the DTF for the year ended June 30, 2015.

Hardin County does not have an equity interest in the above-noted joint ventures. Complete financial statements for the Savannah-Hardin County Airport and the DTF can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Savannah-Hardin County Airport
100 Airport Lane
Savannah, TN 38372

Office of District Attorney General
P. O. Box 686
Huntingdon, TN 38344

G. Retirement Commitments

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Hardin County and non-certified employees of the discretely presented Hardin County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 48.75 percent and the non-certified employees of the discretely presented School Department comprise 51.25 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	177
Inactive Employees Entitled to But Not Yet Receiving Benefits	262
Active Employees	320
Total	759

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Hardin County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Hardin County were $758,234 based on a rate of 10.38 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Hardin County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

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

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

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

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	$ 21,946,940	$ 20,269,401	$ 1,677,539
Changes for the year:			
Service Cost	$ 667,595	$ 0	$ 667,595
Interest	1,662,170	0	1,662,170
Differences Between Expected and Actual Experience	(360,377)	0	(360,377)
Contributions-Employer	0	782,221	(782,221)
Contributions-Employees	0	393,205	(393,205)
Net Investment Income	0	3,385,111	(3,385,111)
Benefit Payments, Including Refunds of Employee Contributions	(904,547)	(904,547)	0
Administrative Expense	0	(12,425)	12,425
Net Changes	$ 1,064,841	$ 3,643,565	$ (2,578,724)
Balance, June 30, 2014	$ 23,011,781	$ 23,912,966	$ (901,185)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	48.75%	$ 11,218,243	$ 11,657,570	$ (439,327)
School Department	51.25%	11,793,538	12,255,396	(461,858)
Total		$ 23,011,781	$ 23,912,966	$ (901,185)

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

Hardin County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,918,966	$ (901,185)	$ (3,263,506)

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

Pension Income. For the year ended June 30, 2015, Hardin County recognized pension income of $24,030.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 288,302
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,484,171
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	758,234	N/A
Total	$ 758,234	$ 1,772,473

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	$ 500,010	$ 864,080
School Department	258,224	908,393
Total	$ 758,234	$ 1,772,473

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

Year Ending June 30	Amount
2016	$ (443,118)
2017	(443,118)
2018	(443,118)
2019	(443,119)
2020	0
Thereafter	0

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

Discretely Presented Hardin County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Hardin County and non-certified employees of the discretely presented Hardin County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 48.75 percent and the non-certified employees of the discretely presented School Department comprise 51.25 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were $6,600, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	$ 6,600	N/A

The Hardin County School Department's employer contributions of $6,600 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

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

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Hardin County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were $1,179,043, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension Assets. At June 30, 2015, the Hardin County School Department reported an asset of $58,591 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Hardin County School Department's proportion of the net pension asset was based on the Hardin County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Hardin County School Department's proportion was .360567 percent. The proportion measured as of June 30, 2013, was .365729 percent.

Pension Income. For the year ended June 30, 2015, the Hardin County School Department recognized a pension income of $62,384.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 142,243	$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	4,827,487
Changes in Proportion of Net Pension Liability (Asset)	0	72,813
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	1,179,043	N/A
Total	$ 1,321,286	$ 4,900,300

The Hardin County School Department's employer contributions of $1,179,043 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	$ (1,195,300)
2017	(1,195,300)
2018	(1,195,300)
2019	(1,195,300)
2020	11,572
Thereafter	11,571

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

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

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

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

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

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

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

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

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

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

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	$ 9,881,955	$ (58,591)	$ (8,288,285)

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

H. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of 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 does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the group medical plan for both professional and support employees who retire with at least 30 years of creditable service with the Tennessee Consolidated Retirement System, and have had uninterrupted employment with the School Department for the last 20 years. Currently, 44 professional and three support retirees are participating in the 2014-15 fiscal year. The School Department contributes between 55 to 58.5 percent toward the individual premium for each eligible professional employee, and 100 percent toward the individual premium of each eligible support employee. The School Department pays this calculated amount directly to the State Insurance Plan for each eligible retiree monthly to pay the health insurance premium until the retiree reaches Medicare eligibility or is deceased. During the year, this contribution was $175,473. Retirees' contributions vary depending on which option they select. During the year ended June 30, 2015, Hardin County and the School Department contributed $17,799 and $444,000, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	$ 874,000	$ 26,000
Interest on the NOPEBO	34,960	8,843
Adjustment to the ARC	(34,059)	(8,615)
Annual OPEB cost	$ 874,901	$ 26,228
Less: Amount of contribution	(444,000)	(17,799)
Increase/decrease in NOPEBO	$ 430,901	$ 8,429
Net OPEB obligation, 7-1-14	4,926,507	221,078
Net OPEB obligation, 6-30-15	$ 5,357,408	$ 229,507

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	$ 963,624	34%	$ 4,390,920
6-30-14	"	844,870	37	4,926,507
6-30-15	"	874,901	51	5,357,408
6-30-13	Local Government Group	44,590	25	200,456
6-30-14	"	25,206	18	221,078
6-30-15	"	26,228	68	229,507

Funded Status and Funding Progress

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

		Local Education Group Plan		Local Government Group Plan
Actuarial valuation date		7-1-13		7-1-13
Actuarial accrued liability (AAL)	$	8,022,000	$	158,000
Actuarial value of plan assets	$	0	$	0
Unfunded actuarial accrued liability (UAAL)	$	8,022,000	$	158,000
Actuarial value of assets as a % of the AAL		0%		0%
Covered payroll (active plan members)	$	17,371,926	$	4,859,223
UAAL as a % of covered payroll		46%		3%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Government Group and the Local Education Group plans, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of seven percent for fiscal year 2015. The trend will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated* (*TCA*). This act provides for all purchases exceeding $10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Commissioner

Chapter 62, Private Acts of 1997, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding $10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Hardin 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.

VI. OTHER NOTES – PARK REST HARDIN COUNTY HEALTH CENTER (ENTERPRISE FUND)

A. General Information

1. General

The Park Rest Hardin County Health Center (Park Rest) is a 62-bed intermediate care facility owned by Hardin County, Tennessee. Park Rest is located in Savannah, Tennessee, and began operations in 1986. Park Rest provides health care and services primarily to individuals in the Hardin County, Tennessee, area who do not require the degree of care and treatment a hospital or skilled nursing facility is designed to provide, but who, because of their mental or physical condition, require care and services, which can be made available to them through institutional facilities.

2. Reporting Entity

Park Rest is a department of Hardin County, Tennessee. Park Rest is not a legally separate entity, and the Hardin County Commission is responsible for appointing each member of the nursing home committee, which oversees Park Rest's operations. In addition, the nursing home revenues were the source of repayment for bonds issued to finance construction of the facility.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The accounts of Park Rest are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Park Rest's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded 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.

3. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position**

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include charges due from insurance companies and private-pay families.

Inventory

Inventory is valued at the lower of cost (FIFO) or market and consists entirely of supplies.

Capital Assets

All capital assets of Park Rest are recorded at historical cost, except for donated equipment, which is recorded at fair market value. Expenses, which materially increase values or capacities or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

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. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2015.

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. Park Rest does not have any items that qualify for reporting in this category as of June 30, 2015.

Net Position Flow Assumption

Sometimes Park Rest will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is Park Rest's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

In Park Rest's 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.

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.

C. **Related-party Transactions**

During the year, Hardin Home (an independent nursing home facility owned by the manager of Park Rest) provided Park Rest with laundry services. The charges for the laundry services approximated Hardin Home's actual costs of providing the services. The total laundry charges for the year were $161,057.

Park Rest prepared meals for residents of Hardin Home. The charges for the meals approximated Park Rest's actual costs of providing the meals. The dietary charges for the year totaled $189,556.

Some employees work for both facilities, and each facility is responsible for its share of applicable payroll expenses.

Hardin County has contracted with the owner of Hardin Home to manage Park Rest. The management fee is seven percent of the gross revenues received by the facility from all sources and equaled $182,775 in 2015.

Park Rest is responsible to pay the county a monthly administrative fee equal to one percent of gross revenues. For 2015, that fee totaled $26,111.

D. **Risk Management**

Park Rest is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees' bonds, personal and professional liability, and property destruction. There have been no significant reductions in insurance coverage. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

E. **Custodial Credit Risk – Deposits**

Park Rest's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts.

For deposits, custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. Park Rest does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions.

As of June 30, 2015, Park Rest's deposits were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

F. Concentration of Credit Risk

Approximately 95 percent of the patients in Park Rest participate in the Medicaid program. As a result, a portion of their care is paid for by the State of Tennessee. Approximately 69 percent of the accounts receivable balance at June 30, 2015, was due from the State of Tennessee under the Medicaid program.

G. Compensated Absences

Each employee earns one week of vacation after one year of employment and two weeks of vacation after ten years of employment. An employee is paid for accrued vacation only if the employee is laid off. Unused accrued vacation is forfeited by the employee at the end of each calendar year.

H. Trust Funds

Trust funds, as used in the Statement of Net Position, represent patients' funds held by the nursing home in trust for patients and can only be used upon the patients' approval.

I. Capital Assets

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

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	$ 26,700	$ 0	$ 26,700
Capital Assets Depreciated:			
Building and Improvements	$ 1,148,001	$ 0	$ 1,148,001
Furniture and Fixtures	85,517	0	85,517
Equipment	366,556	2,917	369,473
Total Capital Assets Depreciated	$ 1,600,074	$ 2,917	$ 1,602,991
Less Accumulated Depreciation For:			
Building and Improvements	$ (825,541)	$ (27,716)	$ (853,257)
Furniture and Fixtures	(64,248)	(3,132)	(67,380)
Equipment	(334,304)	(13,990)	(348,294)
Total Accumulated Depreciation	$ (1,224,093)	$ (44,838)	$ (1,268,931)
Total Capital Assets Depreciated, Net	$ 375,981	$ (44,838)	$ 334,060
Total Capital Assets, Net	$ 402,681	$ (41,921)	$ 360,760

Fully depreciated assets at June 30, 2015, totaled $410,865.

J. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. Nature of Operations

Hardin Medical Center (HMC) is a community medical center located in Savannah, Tennessee, providing general and specialized medical services to patients. The Hardin County Commission is responsible for appointing each member of the medical center's Board of Commissioners. Included as part of the Hardin Medical Center are the HMC Health and Rehabilitation Center (HMCHRC), which is an intermediate and skilled-care facility, and the HMC

Physician Services, Inc., a physician practice, which provides medical and other health care services.

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The medical center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements.* GASB Statement No. 62 makes the GASB *Accounting Standards Codification* the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position.* GASB Statements No. 62 and No. 63 were effective for periods beginning after December 15, 2011.

2. Cash, Cash Equivalents, and Investments

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as cash on hand or in banks and investments with original maturities at date of purchase of less than three months.

Cash and cash equivalents include cash on hand and certificates of deposit with original maturities of less than three months with financial institutions. Investments consist of certificates of deposit with original maturities of greater than three months. Those investments with original maturities greater than three months but less than one year are classified as short-term investments, while the remaining amount is classified as long-term. All of the medical center's cash and cash equivalents and investments are insured or collateralized by securities held by the financial institutions' trust department in the medical center's name.

At June 30, 2015, the total carrying value of the medical center's cash, cash equivalents, and investments was $18,088,986, and the bank balance was $18,098,278.

3. Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market (net realizable value).

4. **Patient Accounts Receivable**

The medical center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients, and others. The medical center provides an allowance for uncollectible accounts based on a review of outstanding receivables, historical collection information, and existing economic conditions.

5. **Fair Value Measurements**

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2), and the reporting entity's own assumptions about market participant assumptions (Level 3). The medical center had $3,693,414 as of June 30, 2015, in certificates of deposit that would be classified as Level 2 under the hierarchy above. The medical center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2015.

6. **Property and Equipment**

Property and equipment acquisitions are recorded at cost. The medical center capitalizes purchases that cost a minimum of $5,000 and have a useful life greater than one year. Assets are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements 5-30 years; buildings and improvements 5-50 years; equipment 3-20 years; and furniture and fixtures 5-30 years. Assets under capital lease obligations are included in property and equipment and the related amortization and accumulated amortization are included in depreciation and amortization expense and accumulated depreciation and amortization, respectively.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

7. Physician Guarantees

The medical center has entered into agreements with local physicians whereby it will guarantee monthly income, subject to stated maximums. The loans are to be forgiven if the physicians maintain a practice in the area for specified terms. During 2015, all loans were forgiven with the respective physicians.

8. Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient service revenue is net of contractual adjustments and policy discounts of approximately $84 million for the year ended June 30, 2015. Approximately 26 percent of net patient service revenue was from Medicare for the year ended June 30, 2015. Approximately ten percent of net patient service revenue was from Medicaid/TennCare for the year ended June 30, 2015.

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The costs of providing charity care are estimated based on the ratio of total costs to gross charges and totaled approximately $436,000 for the year ended June 30, 2015.

9. Operating Activities

The medical center defines operating activities as reported in the Consolidated Statement of Revenue, Expenses, and Changes in Net Position as those that generally result from exchange transactions, such as payments for providing services and payments for goods and services received. Nonexchange transactions, including contributions and grants, as well as interest income and interest expense, are considered nonoperating revenues and expenses.

10. **Employee Benefit Plans**

Medical center employees are covered under the Public Employee Pension Plan of Tennessee Consolidated Retirement System (TCRS), a defined benefit plan, or a 403(b) defined contribution plan.

11. **Pension**

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

12. **Compensated Absences**

The medical center provides its full-time employees with paid days off for holiday, vacation, sick, and bereavement absences. The qualifying date for receiving annual vacation is the employees' full-time anniversary date and is based on the table below. Such days may be taken only after the employee has earned them. All earned days must be taken within 24 months from the anniversary date earned. Such liabilities have been accrued in the accompanying Statement of Net Position.

Years of Service	Days Earned Per Year
1-7	10
8-15	15
16 or more	20

Effective July 1, 2014, the medical center modified the use of its sick day policy. Employees must use paid time off days for the first two days of an illness and paid sick days thereafter. No payment is made for accumulated sick leave when an employee terminates employment.

13. **Risk Management**

The medical center is exposed to various risks of loss from medical malpractice; torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters.

Commercial insurance is purchased for claims arising from such matters. The medical center is self-insured for employee health claims and judgments.

14. Net Position

The medical center's net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted net position is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the medical center, including amounts related to the county's contributions and bond indebtedness restricted for specific purposes. The unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. The medical center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2015, there was no permanently or temporarily restricted net position.

15. Income Taxes

The medical center is a not-for-profit corporation as described in Chapter 176 of the Private Acts and is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

16. Performance Indicator

Excess of revenue over expenses (expenses over revenue) reflected in the accompanying Statement of Revenue, Expenses, and Changes in Net Position is a performance indicator.

17. Adoption of New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The statement is effective for financial statements for fiscal years beginning after June 15, 2014. Therefore, the medical center adopted this standard at the beginning of fiscal year 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This statement relates to accounting and financial reporting for government combinations and disposals of government operations and is effective for financial statements for fiscal years beginning after December 15, 2013. Therefore, the medical center adopted this standard at the beginning of fiscal year 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.* The primary objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68. The statement requires that at transition, an entity recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning of the net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

The adoption of these accounting standards, with the exception of Statement No. 68, did not have a material impact on the medical center's consolidated financial statements. The adoption of Statement No. 68 was incorporated in the medical center's consolidated financial statements through retrospective application to all periods presented and a cumulative adjustment of net position as of July 1, 2013.

The medical center adopted the provisions of Statements No. 68 and No. 71 as of June 30, 2014, and incorporated the provisions to the consolidated financial statements through retrospective application to all periods presented and a cumulative adjustment to net position as of July 1, 2013.

The medical center decreased net position by $3,496,419 as of July 1, 2013, to reflect the cumulative effect of the adoption and to record the initial net pension liability. The prior period consolidated financial statements have been revised to reflect this change in accounting. The effects of this adoption have been summarized below:

	As of and for the Year Ended June 30, 2014		
	As reported	Adjustment	As adjusted
Statement of Net Position			
Initial net pension liability	$ 0	$ (3,496,419)	$ (3,496,419)
Net Position at beginning of year	23,907,881	(3,496,419)	20,411,462
Net Position at end of year	22,901,284	(3,496,419)	19,404,865

18. **New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This standard is effective for fiscal years beginning after June 15, 2015. Therefore the medical center expects to adopt this standard at the beginning of fiscal year 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68.* This statement is applicable to the medical center with regard to clarification of certain provisions of Statement No. 68 including information that is required to be presented as notes to the ten-year schedules of required supplementary information. The requirements of this standard that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Therefore, the medical center expects to adopt this standard at the beginning of fiscal year 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which amended Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the hierarchy of generally accepted accounting principles (GAAP) to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for fiscal years beginning after June 15, 2015, and should be applied retroactively. Therefore, the medical center expects to adopt this standard at the beginning of fiscal year 2016.

The medical center is currently assessing the impact of adopting these accounting standards.

19. **Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Third-party Reimbursement Programs

The medical center receives revenue under various third-party reimbursement programs, which include Medicare, Medicaid, TennCare, and other third-party payors. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's billings at its established rates and the amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase to patient service revenue of approximately $24,000 for the year ended June 30, 2015.

1. Medicare

The medical center is paid for substantially all services rendered to inpatient Medicare program beneficiaries under prospectively determined rates-per-discharge. Those rates vary according to a classification system that is based on clinical, diagnostic, and other factors. The medical center is paid for outpatient and emergency medical services under a Medicare program known as the Ambulatory Payment Classification (APC) system. Under the APC system, outpatient services are classified into APC categories based on standard procedure codes for the service provided and payment for the APC categories are determined using prospectively determined federal payment rates adjusted for geographical area wage differences. The medical center receives cash payments at an interim rate with final settlement determined after the medical center's submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The medical center's classification of patients under the Medicare Prospective Payment System and the appropriateness of the patients' admissions are subject to validation reviews by the Medicare peer review organization.

2. Medicaid

The Medicaid program reimburses HMCHRC for the cost of services rendered to Medicaid beneficiaries at a prospective rate, which is based on the lower of the reimbursable cost of services rendered or a reimbursement cap set by Medicaid. The reimbursement cap is expressed as a per diem.

3. **TennCare**

The State of Tennessee TennCare program is a managed care program, which provides health care coverage to those previously eligible for Medicaid as well as the uninsured population. The medical center contracts with various managed care organizations (MCO's), which offer both Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) health care products. Reimbursement to the medical center is received through per diems, Diagnosis-Related Group (DRG) payments and discounted fees for service.

4. **Commercial Payors**

The medical center has entered into payment agreements with certain commercial insurance carriers, HMO's, and PPO's. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge and discounts from established rates.

5. **Credit Concentration**

The medical center grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies. At June 30, 2015, the medical center had net receivables from the federal government (Medicare) of approximately $1,700,000, and from Medicaid/TennCare of approximately $460,000.

6. **Meaningful Use Payments from Medicare and Medicaid**

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented "meaningful use" certified electronic health record (EHR) technology. In order to receive incentive payments, a hospital that is able to meet the meaningful use criteria, must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 -

September 30, 2011) to 2015; however, the incentive payments will decrease for hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The medical center met meaningful use criteria during 2015. As a result, the medical center recognized income of $646,199 from Medicare in 2015. No Medicaid meaningful use income was recognized in 2015 as the medical center received their final payment in 2014. The medical center received all meaningful use funds related to fiscal year 2015, prior to June 30, 2015, therefore, no receivables were recorded at year-end. The medical center's physician practice also received $51,000 of meaningful use funds in fiscal year 2015. The income is reported as other revenue on the accompanying Statement of Revenue, Expenses, and Changes in Net Position.

D. Inventories

A summary of inventories as of June 30, 2015, is as follows:

Pharmacy	$ 509,888
Dietary	10,931
Departmental	761,791
Total	$ 1,282,610

E. Property and Equipment

The major classifications and changes in property and equipment as of and for the year ended June 30, 2015, are as follows:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	$ 274,533	$ 0	$ 0	$ 274,533
Construction in Progress	282,282	273,243	543,337	12,188
Total Capital Assets Not Depreciated	$ 556,815	$ 273,243	$ 543,337	$ 286,721
Capital Assets Depreciated:				
Land Improvements	$ 202,147	$ 0	$ 30,600	$ 171,547
Buildings	19,403,648	0	57,959	19,345,689
Equipment	10,305,508	1,486,709	2,126,287	9,665,930
Furniture and Fixtures	330,357	0	53,734	276,623
Assets Under Capital Lease	1,370,842	91,088	70687	1,391,243
Total Capital Assets Depreciated	$ 31,612,502	$ 1,577,797	$ 2,339,267	$ 30,851,032
Less Accumulated Depreciation For:				
Land Improvements	$ 198,846	$ 1,116	$ 30600	$ 169,362
Buildings	6,808,821	716,972	47598	7,478,195
Equipment	7,673,999	864,723	2178102	6,360,620
Furniture and Fixtures	210,774	27,343	53202	184,915
Assets Under Capital Lease	1,370,841	1,012	7938	1,363,915
Total Accumulated Depreciation	$ 16,263,281	$ 1,611,166	$ 2,317,440	$ 15,557,007
Total Capital Assets Depreciated, Net	$ 15,349,221	$ (33,369)	$ 21,827	$ 15,294,025
Total Capital Assets, Net	$ 15,906,036	$ 239,874	$ 565,164	$ 15,580,746

No interest costs were capitalized during the year ended June 30, 2015.

F. Ambulance Service

Hardin County paid the construction cost of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the medical center is responsible for operating the Ambulance Service. Expenditures by the county since the medical center began operating the Ambulance Service in 1997 totaled $1,915,165 at June 30, 2015. This amount is not reflected within property and equipment in the accompanying consolidated financial statements. In addition, the county provides an annual subsidy to defray costs incurred in operating the Ambulance Service. For the year ended June 30, 2015, the annual subsidy was $100,000, which is reflected within other nonoperating revenues on the accompanying consolidated

Statement of Revenue, Expenses, and Changes in Net Position. This annual allocation is in addition to the cumulative expenditures mentioned above.

G. Long-term Debt and Capital Lease Obligations

The major types and changes in the medical center's long-term debt and capital lease obligations as of and for the year ended June 30, 2015, is as follows:

	Balance 7-1-14	Reductions	Balance 6-30-15	Due Within One Year
Tennessee Valley - Electric Cooperative Series 2007	$ 77,500	$ 30,000	$ 47,500	$ 30,000
Tennessee Valley - Electric Cooperative Series 2010	513,884	82,224	431,660	82,224
Public Building Authority of the County of Montgomery - Series 2003	5,692,000	255,000	5,437,000	263,000
Capital Lease Obligations	1,871,603	143,694	1,727,909	147,283
Total	$ 8,154,987	$ 510,918	$ 7,644,069	$ 522,507

During July 2003, the medical center entered into a loan agreement with the Public Building Authority of the County of Montgomery, Tennessee, (building authority) whereby, the building authority loaned the medical center $8 million for improvements to the medical center. The loan agreement bears interest at an adjustable rate (.57 percent as of June 30, 2015), and is due May 31, 2031. The variable interest rate is adjusted weekly as determined by the remarketing agent. The loan is guaranteed by Hardin County.

During January 2007, the medical center borrowed $300,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance new computer software. The note bears no interest, and principal is to be repaid in monthly installments of $2,500 through January 2017. Security is a certificate of deposit and an irrevocable standby letter of credit.

During July 2010, the medical center borrowed an additional $740,000 from the Tennessee Valley Electric Cooperative under the Rural Economic Loan and Grant Program. The proceeds were used to finance construction on the cancer treatment center. The note bears no interest, and principal is to be repaid in monthly installments of $6,852 through September 2020. Security is a certificate of deposit and an irrevocable standby letter of credit.

Pursuant to the agreements for the building authority loans, if the principal of all bonds issued under such loans are accelerated and the bonds are paid by the remarketing agent, the repayment schedule applicable to such loans shall be recalculated over a term of 60 months from the date of such acceleration. The interest rate on the loan amounts after such acceleration shall adjust to the prime rate as defined in the agreements.

The medical center has entered into capital lease agreements to finance the acquisition of certain equipment. The agreements require monthly principal and interest payments of $15,692 through November 2025.

A summary of approximate future maturities and interest of long-term debt and capital lease obligations as of June 30, 2015, is as follows:

	Bonds		
Year Ending June 30	Principal	Estimated Interest	Total Payments
2016	$ 263,000	$ 31,000	$ 294,000
2017	272,000	29,000	301,000
2018	281,000	28,000	309,000
2019	291,000	26,000	317,000
2020	300,000	25,000	325,000
2021-2025	1,658,000	97,000	1,755,000
2026-2030	1,956,000	46,000	2,002,000
2031	416,000	2,000	418,000
Total	$ 5,437,000	$ 284,000	$ 5,721,000

	Other Long-term Debt	
Year Ending June 30	Principal	Total Payments
2016	$ 112,000	$ 112,000
2017	100,000	100,000
2018	82,000	82,000
2019	82,000	82,000
2020	82,000	82,000
2021	21,160	21,160
Total	$ 479,160	$ 479,160

Year Ending June 30	Principal	Estimated Interest	Total Payments
	Capital Lease Obligations		
2016	$ 148,000	$ 41,000	$ 189,000
2017	151,000	37,000	188,000
2018	155,000	34,000	189,000
2019	159,000	30,000	189,000
2020	163,000	26,000	189,000
2021-2025	876,000	66,000	942,000
2026	75,909	1,000	76,909
Total	$ 1,727,909	$ 235,000	$ 1,962,909

Year Ending June 30	Principal	Estimated Interest	Total Payments
	Total - All Debt		
2016	$ 523,000	$ 72,000	$ 595,000
2017	523,000	66,000	589,000
2018	518,000	62,000	580,000
2019	532,000	56,000	588,000
2020	545,000	51,000	596,000
2021-2025	2,555,000	163,000	2,718,000
2026-2030	2,032,000	47,000	2,079,000
2031	416,069	2,000	418,069
Total	$ 7,644,069	$ 519,000	$ 8,163,069

H. Pension Plan

General Information About the Pension Plan

Plan Description. Employees of the medical center are provided a defined benefit pension plan through TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. Tennessee Code Annotated, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	130
Inactive Employees Entitled to But Not Yet Receiving Benefits	149
Active Employees	71
Total	350

Effective July 1, 2008, the medical center closed the plan to new participants. Those employees who were employed by the medical center prior to July 1, 2008, are eligible to accrue salary and service credits in the TCRS after the date the plan was closed. The medical center is responsible to continue to fund the retirement cost of the plan.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. For employees hired before July 1, 1986, the medical center had adopted a non-contributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Employees hired on and after July 1, 1986, contribute five percent of salary. The medical center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the medical center were $306,332 based on a rate of 10.9 percent of covered payroll for 2015. By law, employer contributions are required to be paid. The TCRS may intercept the medical center's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The medical center's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

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

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

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

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

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

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

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

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

Changes in the Net Pension Liability

	Liability (a)		Net Position (b)		Liability (a)-(b)
Balance, July 1, 2013	$ 30,088,284	$	26,302,548	$	3,785,736
Changes for the year:					
Service Cost	$ 396,241	$	0	$	396,241
Interest	2,224,956		0		2,224,956
Differences Between Expected and Actual Experience	(524,782)		0		(524,782)
Contributions-Employer	0		289,317		(289,317)
Contributions-Employees	0		140,024		(140,024)
Net Investment Income	0		4,259,689		(4,259,689)
Benefit Payments, Including Refunds of Employee Contributions	(1,636,901)		(1,636,901)		0
Administrative Expense	0		(4,459)		4,459
Net Changes	$ 459,514	$	3,047,670	$	(2,588,156)
Balance, June 30, 2014	$ 30,547,798	$	29,350,218	$	1,197,580

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

Medical Center	1% Decrease 6.5%		Current Discount Rate 7.5%		1% Increase 8.5%
Net Pension Liability	$ 4,910,944	$	1,197,580	$	(1,893,393)

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

Pension Income. For the year ended June 30, 2015, the medical center recognized pension income of $170,489.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 262,391
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,865,959
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	306,332	N/A
Total	$ 306,332	$ 2,128,350

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

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

Year Ending June 30	Amount
2016	$ (728,880)
2017	(466,490)
2018	(466,490)
2019	(466,490)
2020	0
Thereafter	0

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

Payable to the Pension Plan. At June 30, 2015, the medical center reported a payable of $29,459 for the outstanding amount of required contributions to the pension plan.

I. Deferred Contribution Plan

During July 2008, the medical center began providing a 403(b) plan, which covers full-time employees who choose not to participate, or are not allowed to participate, in the defined benefit pension plan described above. The medical center contributes three percent of compensation plus it will match half of each employee's contribution (up to an additional three percent). The total retirement plan expense associated with this plan for the year ended June 30, 2015, was $463,645. Employee contributions to the plan for the year ended June 30, 2015, were $451,329.

J. Commitments and Contingencies

1. Operating Commitments

The medical center leases various equipment and space under operating lease agreements. Rent expense was $387,969 in 2015. The medical center does not have any material future minimum payments as a majority of the leases are on month-to-month terms. It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2015.

The medical center generates rental income primarily from operating leases of medical office buildings and houses. Rental income was $201,050 in 2015, and is included in other operating revenue. Lease terms are yearly or month-to-month.

2. Insurance

The medical center maintains commercial insurance on a claims-made basis for medical malpractice liabilities. Insurance coverages are $1,000,000 individually and $3,000,000 in the aggregate annually. Management intends to maintain such coverages in the future. The medical center is involved in litigation arising in the ordinary course of business; however, management is of the opinion that insurance coverages are adequate to cover any potential losses on asserted claims. Management is unaware of any incidents, which would ultimately result in a loss in excess of the medical center's insurance coverages.

The medical center is self-insured for a portion of employee medical and other health care benefits and workers' compensation claims. The risk of loss retained by the medical center is limited to $80,000 per year for each employee's medical claims. The medical center has purchased excess insurance to provide coverage for claims in excess of the self-insured plan. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Reserves included within accrued expenses on the accompanying Statement of Net Position, related to employee medical and other health care benefits totaled $180,000 in 2015.

3. Health Care Industry

The delivery of personal health care services entails an inherent risk of liability. Participants in the health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. The medical center is insured with respect to medical malpractice risk on a claims-made basis. The medical center also maintains insurance for general liability, director and officer liability, and property. Certain policies are subject to deductibles. In addition to the insurance coverage provided, the medical center indemnifies certain officers and directors for actions taken on behalf of the medical center. Management is not aware of any claims against the medical center that would have a material financial impact.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management believes that the medical center is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations. During fiscal year 2013, management became aware of certain compliance matters related to the medical center. These matters were addressed and a reserve of $190,000 was included within accrued expenses on the accompanying Statement of Net Position at June 30, 2014. These matters were resolved during 2015 upon payment of the $190,000.

Management continues to implement policies, procedures, and a compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The medical center's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions, which are unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare and Medicaid payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits, and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare and Medicaid billings are proper and adequate support is maintained, certain aspects of Medicare and Medicaid billing, coding, and support are subject to interpretation and may be viewed differently by the RAC auditors. At June 30, 2015, the medical center recorded a reserve for potential recoveries. The reserve of $100,000 is included within accrued expenses on the accompanying Statement of Net Position at June 30, 2015. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

4. Health Care Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. The State of Tennessee has elected not to adopt Medicaid expansion, as proposed under the Health Care Reform Legislation, at this time. As such, the medical center does not anticipate a significant impact to occur for the Medicaid population. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the medical center's operations.

VIII. OTHER NOTES – DISCRETELY PRESENTED HARDIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. General Information

Hardin County Emergency Communications District provides 911 emergency assistance to persons living in Hardin County. The district is a component unit of Hardin County. Accordingly, this financial data is incorporated into the county's financial statements. Board members are appointed by the county mayor. Additionally, any bonded indebtedness by the district is subject to the approval of the Hardin County Commission. Hardin County and the cities of Savannah, Saltillo, and Crump are billed for dispatching services (these revenues provide funding for the dispatchers' salaries).

B. Summary of Significant Accounting Policies

1. Basis of Presentation

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Fund:

Enterprise Fund – The Hardin County Emergency Communications District Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis can be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded 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.

3. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents, as used in the Statement of Cash Flows, include demand deposit accounts and certificates of deposit with maturities of three months or less when purchased, in accordance with GASB Statement No. 9.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Balances reported at year-end include dispatching revenue due from the county and the city, which are posted as Due from Other Governments.

Restricted Assets

Certain resources set aside for bond repayment are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts, and their use is limited by applicable bond covenants.

Bond Discounts

Bond discounts are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment, which is recorded at fair market value. Expenses, which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and repairs are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

Gains and losses from the sale of capital assets are reflected in operations, and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives. Any related interest cost is also added to the cost of the asset as appropriate.

Compensated Absences

Vacation leave time for employees of the district is earned each pay period. Vacation time can be carried over from one year to the next. Any outstanding balance is paid to the employee upon separation from service.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

Long-term debt

All long-term debt to be repaid is reported as liabilities in the Statement of Net Position. The long-term debt consists primarily of revenue bonds and unamortized premiums and discounts.

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 district has items that qualify for reporting in this category. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district has items that qualify for reporting in this category. Accordingly, the items are reported in the enterprise fund balance sheet. These items are for pension changes in experience and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

In the district's 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.

Restatement

In prior years, the district was not required to recognize a liability for its defined pension plan. However, with the implementation of Governmental Accounting Standards Board Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement of the district's beginning net position has been recognized in the Statement of Activities totaling $156,922.

4. Pension Plan

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

C. Revenues

Revenues are derived from telephone customers in the area served by the district. Through December 2014, telephone companies collected the fees on the monthly telephone bills and remitted them to the district. Beginning January 2015, the telephone companies remitted these fees to the State of Tennessee. The State of Tennessee then remits to the district a base amount. Revenues are also derived from wireless charges from cellular phone fees. Through December 2014, the State of Tennessee collected these fees and remitted them to the district bimonthly. Beginning January 2015, the State of Tennessee remitted a base amount to the district, which included these fees in their calculation.

Operating revenues and expenses are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from daily operations are defined as nonoperating.

D. Risk Management

It is the policy of the district to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. It is also insured against possible loss related to acts of district key officers or directors by official statutory bonds carried by the district. The district has had no insurance settlements in excess of insurance coverage during the past three years.

E. Contract Agreement

In 1992, the district entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary; and creating a dispatch service and determining the mode. Further, the parties agreed in 2009, that the district would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The city and county have agreed to remit funds to the district to cover various operating expenses in exchange for dispatching services provided by the district. This year the city and county remitted $466,990 to the district.

F. Capital Assets

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

Capital Assets	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	$ 140,550	$ 0	$ 140,550
Total Capital Assets Not Depreciated	$ 140,550	$ 0	$ 140,550
Capital Assets Depreciated:			
Building Improvements	$ 41,719	$ 0	$ 41,719
Buildings	1,397,520	0	1,397,520
Equipment and Software	1,095,497	88,382	1,183,879
Furniture and Fixtures	49,586	0	49,586
Vehicles	50,455	0	50,455
Maps	237,788	24,258	262,046
Total Capital Assets Depreciated	$ 2,872,565	$ 112,640	$ 2,985,205
Less Accumulated Depreciation For:			
Building Improvements	$ 6,681	$ 1,391	$ 8,072
Buildings	103,316	35,620	138,936
Equipment and Software	741,486	54,297	795,783
Furniture and Fixtures	13,934	4,959	18,893
Vehicles	33,195	5,052	38,247
Maps	188,306	8,484	196,790
Total Accumulated Depreciation	$ 1,086,918	$ 109,803	$ 1,196,721
Total Capital Assets Depreciated, Net	$ 1,785,647	$ 2,837	$ 1,788,484
Total Capital Assets, Net	$ 1,926,197	$ 2,837	$ 1,929,034

Depreciation expense of $109,803 was recorded by the district.

In addition to the above capital purchases, additional small equipment purchases of $27,161 were made in the current year. These were purchases below the district's capitalization threshold of $5,000.

G. Pension Plan

General Information About the Pension Plan

Plan Description. Employees of the district are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA),* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	4
Active Employees	10
Total	18

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The district makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the district were $15,683 based on a rate of 5.24 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the district's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

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

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

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

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

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

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

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	$ 233,463	$ 375,935	$ (142,472)
Changes for the year:			
Service Cost	$ 19,774	$ 0	$ 19,774
Interest	18,846	0	18,846
Differences Between Expected and Actual Experience	(294)	0	(294)
Contributions-Employer	0	14,450	(14,450)
Contributions-Employees	0	15,497	(15,497)
Net Investment Income	0	64,402	(64,402)
Benefit Payments, Including Refunds of Employee Contributions	(3,906)	(3,906)	0
Administrative Expense	0	(407)	407
Net Changes	$ 34,420	$ 90,036	$ (55,616)
Balance, June 30, 2014	$ 267,883	$ 465,971	$ (198,088)

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

District	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability (Asset)	$ (160,212)	$ (198,088)	$ (229,785)

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

Pension Expense. For the year ended June 30, 2015, the district recognized pension income of $12,724.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 0	$ 245
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	28,197
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	15,683	N/A
Total	$ 15,683	$ 28,442

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

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

Year Ending June 30	Amount
2016	$ (7,098)
2017	(7,098)
2018	(7,098)
2019	(7,098)
2020	(50)
Thereafter	0

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

Payable to the Pension Plan. At June 30, 2015, the district reported a payable of $2,129 for the outstanding amount of required contributions to the pension plan.

H. Stewardship, Compliance, and Accountability

By its nature as a local government unit, the district is subject to various federal, state, and local laws and contractual regulations. An analysis of the district's compliance with significant laws and regulations and demonstration of its stewardship over the district resources follows:

1. **Deposits and Investments**

The district's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. The district has no policy that further limits allowable investments. At June 30, 2015, investments consisted entirely of certificates of deposit with original maturities greater than three months at a local bank. Investments are carried at cost, which approximates fair value.

For deposits and investments, custodial credit risk is the risk that, in the event of a bank failure, district deposits may not be returned to it. The district does not have a policy regarding custodial credit risk for deposits. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions. As of June 30, 2015, the district's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by pledged collateral).

2. **Budget Appropriations**

In accordance with state law, the board of the district must adopt and operate under an annual budget. Criteria for the information required in the annual adopted budget are detailed in Section 7-86-120, *Tennessee Code Annotated*. However, for financial reporting purposes, it is only necessary to present budgetary revenues and expenses compared to actual. All purchases must be made within the limits of the approved budget. Expenses must be presented at the legal level of control, which is defined to be at the line-item level.

The district's expenses were within appropriations at the line-item level.

I. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Long-term Debt

Long-term debt consists of Emergency Communications District Revenue Bonds, Series 2010, dated October 5, 2010, through June 30, 2040, with interest rates varying from 1.75 percent to 4.25 percent.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 7-1-14	Payments or Retirements	Balance 6-30-15	Due Within One Year
Revenue Bonds	$ 1,190,000	$ 30,000	$ 1,160,000	$ 30,000
Unamortized Debt Discounts	(8,024)	309	(7,715)	0
Total	$ 1,181,976	$ 30,309	$ 1,152,285	$ 30,000

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for revenue bonds payable for the years subsequent to June 30, 2015, are as follows:

Year Ending June 30	Revenue Bonds Business-type Activities Principal	Interest	Total
2016	$ 30,000	$ 43,831	$ 73,831
2017	30,000	43,006	73,006
2018	30,000	42,181	72,181
2019	35,000	41,356	76,356
2020	35,000	40,394	75,394
2021-2025	185,000	185,131	370,131
2026-2030	215,000	150,944	365,944
2031-2035	270,000	104,507	374,507
2036-2040	330,000	43,775	373,775
Total	$ 1,160,000	$ 695,125	$ 1,855,125

K. Accounting Changes

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

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

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

IX. OTHER NOTES – DISCRETELY PRESENTED HARDIN COUNTY CONVENTION AND VISITORS BUREAU

A. Summary of Significant Accounting Policies

1. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Hardin County Convention and Visitors Bureau (HCCVB).

2. Reporting Entity

HCCVB is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote the tourism aspect of Hardin County, Tennessee. HCCVB is a component unit of Hardin County since (1) the majority of board members are appointed by the County Commission and (2) it receives a significant portion of its funding from Hardin County. Accordingly, this financial data is incorporated into the county's financial statements.

3. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. HCCVB has no business-type activities.

4. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The government reports the following major governmental fund: The General Fund is HCCVB's primary operating fund. It accounts for all financial resources of the general government. HCCVB has no nonmajor or proprietary funds.

5. **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Hotel/motel taxes and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days ofyear-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

6. **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. HCCVB adopts its budget in accordance with the state's legal requirement, which is the level of classification detail at which expenditures may not legally exceed appropriations.

HCCVB follows these procedures in establishing the budgetary data reflected in the financial statements:

a. Prior to May 1, the CEO submits to the Board of Directors and Hardin County a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

b. The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.

c. Prior to July 1, the budget is legally adopted by the Board of Directors and approved by Hardin County through adoption of the appropriation ordinance upon two readings.

d. The CEO is responsible for controlling expenditures of the various agencies of the government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

Budgeted amounts of the revenues and expenditures presented for the General Fund are shown as originally adopted and after final amendments by the Board of Directors. The legal level of budgetary control is at the line-item level. Budget revisions that reallocate dollars between line-items or that alter the total budget amount require board member's approval. Unexpended operating appropriations lapse at the end of the year. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the fund is presented as a fund financial statement.

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

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand and demand accounts.

Inventories and Prepaid Expenses

Inventories of office materials and supplies of all funds of HCCVB were deemed to be immaterial and were not inventoried or reflected in the records. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are reported at cost (except for donated property, which is reported at fair value as of the date of donation) and includes improvements that significantly add to utility or extend useful lives. Costs for maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings for the period. Depreciation is computed using the straight-line method to allocate the cost of furniture and equipment over an estimated useful life of five years.

Deferred Outflows/Inflows of Revenues

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. HCCVB had no items that qualify for reporting in this category.

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 and so will not be recognized as an inflow of resources (revenue) until that time. HCCVB had no items that qualify for reporting in this category.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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.

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.

8. **Revenues and Expenditures/Expenses**

Program Revenues

Amounts reported as 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 or segment and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental fund expenditures are classified by character such as current (further classified by function), capital outlay, and debt service. In the fund financial statements, governmental funds report expenditures of financial resources.

B. Stewardship, Compliance, and Accountability

By its nature as a local government component unit, HCCVB is subject to various federal, state, and local laws, and contractual regulations. An analysis of HCCVB's compliance with significant laws and regulations and demonstration of its stewardship over its resources follows:

1. **Deposits and Investments – Laws and Regulations**

In accordance with state law, all uninsured deposits of county funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. government or government agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to HCCVB must have a written collateral agreement approved by the Board of Directors or loan committee. HCCVB has no policy regarding custodial credit risk for deposits.

HCCVB's investment policies are governed by state statute. Permissible investments include direct obligations of the U.S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its subdivisions. HCCVB has no policy that further limits allowable investments.

2. **Deficit Fund Balance Prohibition**

The State of Tennessee discourages the creation of a deficit fund balance in any individual fund. HCCVB had a positive fund balance at year end.

3. **Budget Appropriations**

Tennessee statutes prohibit expenses in excess of budget appropriations. Expenses did not exceed budget appropriations for the year at the fund level.

C. Detailed Notes on all Activities and Funds

1. **Cash Deposits with Financial Institutions**

Custodial credit risk deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. HCCVB's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

2. **Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable have been deemed unnecessary based upon historical trends. The major receivable balance for the governmental activities include hotel/motel tax receivable due from the county and other governments.

3. **Capital Assets**

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

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Depreciated:			
Furniture and Equipment	$ 4,215	$ 0	$ 4,215
Total Capital Assets Depreciated	$ 4,215	$ 0	$ 4,215
Less Accumulated Depreciation For:			
Furniture and Equipment	$ (4,011)	$ (175)	$ (4,186)
Total Accumulated Depreciation	$ (4,011)	$ (175)	$ (4,186)
Total Capital Assets Depreciated, Net	$ 204	$ (175)	$ 29
Total Capital Assets, Net	$ 204	$ (175)	$ 29

There were no decreases in capital assets during the year, and depreciation expense of $175 was charged to the general government.

4. **Risk Management**

It is the policy of HCCVB to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

5. **Fund Balance Reporting**

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

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

Restricted fund balance – includes amounts that have constraints placed on the use of resources that are either

(a) externally imposed by creditors, grantors, contributors, or laws and regulations of the other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal ordinance of the Board of Directors (HCCVB'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 HCCVB's intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors makes assignments.

Unassigned fund balance – the residual classification for HCCVB's General Fund. 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 HCCVB's General Fund or state street aid funds.

D. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Tax Exemption

HCCVB has a determination letter from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

F. Concentration of Credit Risk

HCCVB receives approximately 89 percent of operating revenues from hotel and motel sales tax collections by Hardin County.

G. Related Parties

HCCVB is represented on the Board of Directors of Team Hardin County, Inc. (THC), another nonprofit organization that is involved in the promotion of Hardin County. THC and THC – NAIA, another related-party nonprofit, have owed HCCVB in prior years due to related party transactions. However, in the current year, THC reimbursed HCCVB $62,944 with the HCCVB board agreeing to forgive the remaining balance of $4,995. THC - NAIA also reimbursed HCCVB $8,912 for related party transactions with the HCCVB board agreeing to forgive the remaining balance of $42,023.

H. **Retirement Plan**

HCCVB is a participant in a noncontributory defined contribution money purchase pension plan, which covers all full-time employees. HCCVB's contribution rate is five percent of base compensation. The total retirement plan expense for the year was $4,495.

Copies of the complete financial statements of the County for the current Fiscal Year are available at http://www.comptroller.tn.gov/la/CountySelect.asp.