

**ANNUAL FINANCIAL REPORT
OF
HANCOCK COUNTY, TENNESSEE
AND
HANCOCK COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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This financial report is available at www.comptroller.state.tn.us

HANCOCK COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Hancock County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2005.

Results

Our report on Hancock County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in ten findings and recommendations, which we have reviewed with management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

HANCOCK COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY MAYOR

- ◆ The office had not established a formal purchase order system.
- ◆ The county had not developed procurement procedures to ensure bids were properly solicited. Also, there was no documentation on file to ensure that equipment purchased by the county's hospital lessee was competitively bid.
- ◆ There were no inventory records for equipment purchased for the new hospital.
- ◆ The actual fund balance of the General Debt Service Fund at July 1, 2004, exceeded the estimated fund balance by \$397,378.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Unidentified funds carried forward from the former clerk were not remitted to the state as unclaimed property.
 - ◆ Bank statements were not accurately reconciled monthly.
-

OTHER FINDINGS

- ◆ The County Commission provided the sheriff with a salary supplement as workhouse superintendent but had not established the jail as a workhouse.
- ◆ Officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Hancock County Officials

June 30, 2005

Officials:

G. Greg Marion, County Mayor
Clem Seal, Road Superintendent
Ken Mayes, Trustee
Wayne Wallen, Assessor of Property
Wayne Dean, County Clerk
Bill W. McMurry, Circuit and General Sessions Courts Clerk
Scott Collins, Clerk and Master
Melissa A. Bell, Register
Ralph D. Seal, Sheriff

Board of County Commissioners:

Nicholas Cantwell, Chairperson	Kenny C. Lamb
Dewey Taylor, Vice Chairperson	Ronnie J. McDaniel
Jerry Anderson	Ronnie Lee Nichols
Willis P. Gibson, Jr.	Gary D. Seal
John Goodman	Rufus Presley
Ellis Johnson, Jr.	Dr. John Short
Lee Johnson, Jr.	Randy White
Ralph J. Kinsler	

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

August 11, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 36, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Hancock County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Hancock County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matter discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hancock County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2005, on our consideration of Hancock County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Hancock County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risks.

The budgetary comparison information on pages 39 through 43 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consists principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds				Nonmajor	Total	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects		Other Governmental Funds
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 223	\$ 223
Equity in Pooled Cash and Investments	263,341	48,593	242,192	629,529	96,841	135,324	1,415,820
Accounts Receivable	69,462	1,811	1,671	1,533	0	20,795	95,272
Due from Other Governments	171,839	123,759	250,862	241	337,194	0	883,895
Due from Other Funds	14,938	0	0	140,000	0	199	155,137
Due from Component Units	2,125	0	0	2,727	0	0	4,852
Property Taxes Receivable	600,099	219,549	0	36,591	0	0	856,239
Allowance for Uncollectible Property Taxes	(42,289)	(15,472)	0	(2,578)	0	0	(60,339)
Total Assets	\$ 1,079,515	\$ 378,240	\$ 494,725	\$ 808,043	\$ 434,035	\$ 156,541	\$ 3,351,099

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable	\$ 177,069	\$ 6,424	\$ 1,353	\$ 63,048	\$ 6,931	\$ 60,570	\$ 315,395
Accrued Payroll	2,403	0	0	0	0	0	2,403
Contracts Payable	0	0	0	0	0	10,601	10,601
Due to Other Funds	0	140,000	0	0	0	5,075	145,075
Deferred Revenue - Current Property Taxes	536,093	196,132	0	32,689	0	0	764,914
Deferred Revenue - Delinquent Property Taxes	20,499	7,499	0	1,250	0	0	29,248
Other Deferred Revenues	14,600	58	106,852	81	0	0	121,591
Total Liabilities	\$ 750,664	\$ 350,113	\$ 108,205	\$ 97,068	\$ 6,931	\$ 76,246	\$ 1,389,227

Fund Balances

Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,160	\$ 2,955	\$ 8,115
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	2,313	2,313
Reserved for Computer System - Register	11,171	0	0	0	0	0	11,171
Reserved for Automation Purposes - Circuit Court	210	0	0	0	0	0	210
Reserved for Automation Purposes - General Sessions Court	2,580	0	0	0	0	0	2,580
Reserved for Automation Purposes - Chancery Court	624	0	0	0	0	0	624
Reserved for Other General Purposes	0	0	0	140,000	0	0	140,000
Unreserved, Reported In:							
General Fund	314,266	0	0	0	0	0	314,266

(Continued)

Exhibit A

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

	Major Funds				Nonmajor	Total	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects		Other Govern- mental Funds
LIABILITIES AND FUND BALANCES (Cont.)							
<u>Fund Balances (Cont.)</u>							
Unreserved, Reported In (Cont.):							
Special Revenue Funds	\$ 0	\$ 28,127	\$ 386,520	\$ 0	\$ 0	\$ 145,564	\$ 560,211
Debt Service Funds	0	0	0	570,975	0	0	570,975
Capital Projects Funds (Deficit)	0	0	0	0	421,944	(70,537)	351,407
Total Fund Balances	\$ 328,851	\$ 28,127	\$ 386,520	\$ 710,975	\$ 427,104	\$ 80,295	\$ 1,961,872
Total Liabilities and Fund Balances	\$ 1,079,515	\$ 378,240	\$ 494,725	\$ 808,043	\$ 434,035	\$ 156,541	\$ 3,351,099

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

Exhibit B

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
Revenues							
Local Taxes	\$ 717,278	\$ 202,531	\$ 0	\$ 43,069	\$ 0	\$ 0	\$ 962,878
Fines, Forfeitures and Penalties	43,842	0	0	0	0	199	44,041
Charges for Current Services	699,153	10,564	0	0	0	242,072	951,789
Other Local Revenues	186,861	598	15,558	237,887	0	0	440,904
Fees Received from County Officials	226,822	0	0	0	0	0	226,822
State of Tennessee	1,340,099	125,360	1,512,577	218	0	0	2,978,254
Federal Government	257,275	0	10,233	0	337,194	168,065	772,767
Other Governments and Citizens Groups	60,626	0	0	801,711	0	0	862,337
Total Revenues	\$ 3,531,956	\$ 339,053	\$ 1,538,368	\$ 1,082,885	\$ 337,194	\$ 410,336	\$ 7,239,792
Expenditures							
Current:							
General Government	\$ 459,498	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 459,498
Finance	275,144	0	0	0	0	0	275,144
Administration of Justice	204,307	0	0	0	0	33,891	238,198
Public Safety	1,590,309	0	0	0	0	500	1,590,809
Public Health and Welfare	621,923	207,102	0	0	0	249,728	1,078,753
Social, Cultural, and Recreational Services	116,593	0	0	0	0	0	116,593
Agricultural and Natural Resources	54,368	0	0	0	0	0	54,368
Other Operations	390,638	0	0	0	0	0	390,638
Highways	0	0	1,614,096	0	0	0	1,614,096
Debt Service:							
Principal	76,714	0	0	512,082	0	0	588,796
Interest	907	0	0	594,869	0	0	595,776
Other Debt Service	0	0	0	58,417	0	0	58,417
Capital Projects	40,000	139,960	0	0	5,735,476	780,808	6,696,244
Total Expenditures	\$ 3,830,401	\$ 347,062	\$ 1,614,096	\$ 1,165,368	\$ 5,735,476	\$ 1,064,927	\$ 13,757,330
Excess (Deficiency) of Revenues Over Expenditures	\$ (298,445)	\$ (8,009)	\$ (75,728)	\$ (82,483)	\$ (5,398,282)	\$ (654,591)	\$ (6,517,538)
Other Financing Sources (Uses)							
Notes Issued	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,000
Capital Leases Issued	146,010	0	0	0	0	0	146,010
Other Loans Issued	0	0	0	0	707,570	543,972	1,251,542
Transfers In	4,852	0	0	0	0	50,000	54,852
Transfers Out	(50,000)	0	0	0	0	(4,852)	(54,852)
Total Other Financing Sources (Uses)	\$ 140,862	\$ 0	\$ 0	\$ 0	\$ 707,570	\$ 589,120	\$ 1,437,552

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
Net Change in Fund Balances	\$ (157,583)	\$ (8,009)	\$ (75,728)	\$ (82,483)	\$ (4,690,712)	\$ (65,471)	\$ (5,079,986)
Fund Balance, July 1, 2004	486,434	36,136	462,248	793,458	5,117,816	145,766	7,041,858
Fund Balance, June 30, 2005	\$ 328,851	\$ 28,127	\$ 386,520	\$ 710,975	\$ 427,104	\$ 80,295	\$ 1,961,872

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

Exhibit C

Hancock County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 482,749
Equity in Pooled Cash and Investments	26,149
Accounts Receivable	2,523
Due from Other Governments	21,503
Prepaid Items	<u>2,568</u>
Total Assets	<u>\$ 535,492</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 234
Due to Other Funds	10,062
Due to Other Taxing Units	52,509
Due to Litigants, Heirs, and Others	<u>472,687</u>
Total Liabilities	<u>\$ 535,492</u>

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

HANCOCK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hancock County's financial statements are not 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.

Hancock County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and the discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Hancock County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Hancock County's auditor to issue an adverse opinion on the county's financial statements.

Although Hancock County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Hancock County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Hancock County, the primary government.

Blended Component Units – There are no legally separate component units of Hancock County that meet the criteria for being reported as part of the primary government by the blending method.

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Hancock County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Hancock County School Department operates the public school system in the county, and the voters of Hancock County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Hancock County School Department and the Hancock County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. The Hancock County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Hancock County Emergency Communications District can be obtained from its administrative office at P.O. Box 347, Sneedville, TN 37869.

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

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

Fund financial statements of Hancock County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories:

governmental, proprietary, and fiduciary; however, Hancock County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hancock County considers grant 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 general long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service fund for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus 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.

Hancock County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This fund is used to account for the transactions related to the county’s solid waste collection. The primary revenue source for this fund is property taxes.

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

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.

Other Capital Projects Fund – This fund is used to account for the construction of a new hospital. Funding for the project has been provided for through bond and loan proceeds, and federal grants.

Additionally, Hancock 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 from the state to be forwarded to the various cities in the 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.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government, and obligations guaranteed by the U.S. government, or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Hancock County and Hancock County School Department funds. Each fund’s portion of this pool is displayed on its balance sheet as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the General Debt Service Fund. Hancock County has 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 and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities 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. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to

compute share prices if certain conditions are met. 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 treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.36 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 deferred revenue 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 with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Hancock County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Hancock County does not present government-wide statements.

5. Compensated Absences

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

6. Long-term Obligations

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

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.

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. The Reserved for Other General Purposes in the General Debt Service Fund represents an amount reserved for an interfund loan to the Solid Waste/Sanitation Fund.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The General Capital Projects Fund had a fund deficit of \$70,537 at June 30, 2005. This deficit resulted from the recognition of liabilities for completed projects of the HOME Investment Partnership Grant program, and unperformed portions of an elevator construction project for the county courthouse. Funding for these liabilities and encumbrances will be provided through federal grants and the issuance of debt.

B. The Actual Fund Balance Exceeded Estimated Beginning Fund Balance by a Material Amount

The actual fund balance in the General Debt Service Fund was \$793,458 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$396,080. Therefore, the actual fund balance was \$397,378 more than the estimated fund balance presented to the County Commission.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hancock County and the Hancock County School Department participate in an internal cash and investment pool through the Office of Trustee. The Hancock County School Department meets the criteria for a discretely presented component unit of Hancock County. Since Hancock County is presenting fund financial statements only, financial information for the Hancock County School Department is not included in these financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions - All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

B. Construction Commitments

At June 30, 2005, the County Mayor's Office had uncompleted construction contracts of \$2,955 in the General Capital Projects Fund and \$5,160 in the Other Capital Projects Fund related to the elevator project at the courthouse and construction of the new hospital, respectively. Funding for the elevator project will be provided through federal grants and the issuance of debt. The

funding for the new hospital has been provided for through the issuance of debt.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 4,876
General	Agency	10,062
General Debt Service	Solid Waste/Sanitation	140,000
Nonmajor governmental	Nonmajor governmental	<u>199</u>
Total		<u><u>\$ 155,137</u></u>

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

The \$140,000 due to the General Debt Service Fund from the Solid Waste/Sanitation Fund represents interfund financing for the construction of a new solid waste transfer station. The balance is expected to be repaid during the 2005-06 year with a solid waste grant to be received from the State of Tennessee.

Due to /from primary government and component unit:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
	Component Unit- Hancock	
Primary government:	County School Department:	
General Fund	General Purpose School Fund	\$ 2,125
General Debt Service Fund	General Purpose School Fund	<u>2,727</u>
Total		<u><u>\$ 4,852</u></u>

Interfund transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfer Out	Transfers In	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 50,000
Nonmajor governmental funds	4,852	0
Total	\$ 4,852	\$ 50,000

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

D. Leases

Hospital Lease

Hancock County completed construction of a new hospital facility during the 2004-05 year. Financing for the facility was provided by the county through long-term debt issues and federal grants. A major portion of that financing was provided through a \$6,000,000 general obligation bond issue by the county. The county has entered into an agreement with Wellmont Health System (Wellmont) to operate the facility through 2028. Wellmont is required to pay the county lease payments that are equal to the amount of debt service requirements on the outstanding \$6,000,000 bond issue, with certain adjustments as discussed below. Wellmont has an option to purchase the facility for the then current fair market value upon the final payment of all outstanding amounts on the bonds. Wellmont also has the option to retire the bonds in accordance with the terms thereof at any time while the agreement is in effect.

Future debt service requirements on the \$6,000,000 bond issue, including principal and interest, are as follows:

Year Ending June 30	Amount
2006	\$ 567,936
2007	553,413
2008	539,787
2009	526,160
2010	513,280

Year Ending June 30	Amount
2011-2015	\$ 2,358,864
2016-2020	2,018,048
2021-2025	1,677,232
2026-2029	<u>1,096,416</u>
Total	<u>\$ 9,851,136</u>

The lease agreement calls for the county to pay to Wellmont an annual subsidy of \$200,000 for the operation of the county's Emergency Medical Service (EMS). That subsidy is to be reduced each year until 2007, by 25% of the appraised value of EMS assets transferred to Wellmont. The county subsidy to Wellmont is to be offset against lease payments to be received from Wellmont. In the financial statements, the net amount paid by Wellmont during the 2004-05 year (\$362,933) has been recognized as revenues in the General Debt Service Fund. The provision for Wellmont to operate the EMS has not been implemented as of June 30, 2005. The county and Wellmont are negotiating on a potential addendum to the lease that would provide for the county to retain the EMS operations.

Capital Leases for Equipment

On September 22, 2004, Hancock County entered into a three-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of \$146,010 plus interest of 4.10 percent. Title of the vehicles transfers to Hancock County at the end of the lease period. The lease payments are made by the General Fund.

Since Hancock County is presenting fund financial statements only, the present value of minimum lease payments under lease agreement has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Hancock County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 38,731
2007	38,731
2008	<u>38,731</u>
Total Minimum Lease Payments	\$ 116,193
Amount Representing Interest	<u>8,914</u>
 Present Value of Minimum Lease Payments	 <u>\$ 107,279</u>

E. Long-term Debt

Since Hancock County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Hancock County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for Hancock County and the Hancock County School Department. Capital outlay notes have also been issued to fund other capital outlay purchases.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to three years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2005, will be retired from the General Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	3.85%	\$ 61,950	\$ 41,300
General Obligation Bonds	4.6 to 5.6	6,385,000	6,108,404
Other Loans Payable	Variable	14,595,000	13,603,542
Capital Leases	4.1	146,010	107,279

In prior years, Hancock County entered into two loan agreements with the Montgomery County Public Building Authority (PBA) to finance the school building program, and to refinance the outstanding jail construction bonds. At June 30, 2005, Hancock County had borrowed the entire amount of these loans. In the current year, Hancock County entered into another loan agreement with the Montgomery County PBA to finance school capital projects and the hospital building program. This loan agreement provided for the authority to make \$1,650,000 available to Hancock County on an as-needed basis for the school and hospital building projects. At June 30, 2005, \$1,251,542 of the approved loan amount had been drawn down. The balance of \$398,458 remains available for future draws under the loan agreement. These loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee fees, letter of credit fees, and debt remarketing fees) in connection with these loans. At June 30, 2005, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction					
Loan Program (1997)	\$ 12,000,000	\$ 11,550,000	Variable	2.12 %	0.53 %
Refunding Issue					
Loan Program (2002)	945,000	802,000	Variable	2.1	0.48
School Construction and Hospital Equipment					
Loan Program (2005)	1,650,000	<u>1,251,542</u>	Variable	2.1	0.51
Total		<u>\$ 13,603,542</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table. Amounts reflected for loans payable are based on the outstanding principal as well as the undrawn proceeds on the \$1,650,000 issue. Estimated interest payments and estimated other fees are also included for the loan agreements. Interest payments included in the table for the variable rate issues are computed based on rates in effect at June 30, 2005.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 271,135	\$ 343,925	\$ 20,650	\$ 1,590
2007	271,190	328,373	20,650	795
2008	271,248	313,290	0	0
2009	271,309	298,203	0	0
2010	271,373	283,879	0	0
2011-2015	1,327,937	1,189,708	0	0
2016-2020	1,210,069	832,764	0	0
2021-2025	1,212,772	489,245	0	0
2026-2030	976,205	144,996	0	0
2031-2035	20,560	4,225	0	0
2036-2040	4,606	351	0	0
Total	\$ 6,108,404	\$ 4,228,959	\$ 41,300	\$ 2,385

Year Ending June 30	Loans Payable			Total
	Principal	Interest	Other Fees	
2006	\$ 249,000	\$ 296,352	\$ 73,480	\$ 618,832
2007	353,000	291,093	72,196	716,289
2008	376,000	283,630	70,362	729,992
2009	409,000	275,680	68,408	753,088
2010	442,000	267,031	66,280	775,311
2011-2015	2,674,000	1,182,275	293,741	4,150,016
2016-2020	3,295,000	868,240	216,188	4,379,428
2021-2025	4,024,000	493,903	122,956	4,640,859
2026-2030	2,095,000	88,714	21,934	2,205,648
2031-2035	85,000	1,785	434	87,219
2036-2040	0	0	0	0
Total	\$ 14,002,000	\$ 4,048,703	\$ 1,005,979	\$ 19,056,682

There is \$570,975 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$900, based on

the 2000 federal census. Total debt per capita, including notes, bonds, and other loans amounted to \$2,970, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 6,379,486	\$ 79,283	\$ 0
Additions	0	40,000	146,010
Deductions	271,082	77,983	38,731
Balance, June 30, 2005	<u>\$ 6,108,404</u>	<u>\$ 41,300</u>	<u>\$ 107,279</u>
Balance Due Within One Year	<u>\$ 271,135</u>	<u>\$ 20,650</u>	<u>\$ 34,333</u>

	Landfill Closure/ Postclosure Care Cost	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 163,735	\$ 12,553,000	\$ 38,580
Additions	6,770	1,251,542	13,537
Deductions	7,119	201,000	7,716
Balance, June 30, 2005	<u>\$ 163,386</u>	<u>\$ 13,603,542</u>	<u>\$ 44,401</u>
Balance Due Within One Year	<u>\$ 7,427</u>	<u>\$ 203,000</u>	<u>\$ 8,880</u>

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

F. Internal Financing

In lieu of issuing debt with financial institutions, Hancock County chose to temporarily provide internal financing, from the idle funds of the General Debt Service Fund, for the construction of the transfer station. The loan (\$140,000) will be repaid from the Solid Waste/Sanitation Fund when grant funds are received from the State of Tennessee.

G. Short-term Debt

Hancock County issued revenue anticipation notes to provide temporary operating funds for the General Fund. These notes were necessary because the cash balance was not sufficient to meet current operations. These notes were retired prior to June 30, 2005, as required by state statutes, and therefore have not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Revenue Anticipation Notes	\$ 0	\$ 200,000	\$ 200,000	\$ 0

IV. OTHER INFORMATION

A. Risk Management

Hancock County purchases commercial insurance for certain risks of loss to which it is exposed, including general liability on county assets. However, Hancock County does not maintain workers' compensation or insurance coverage on county buildings and their contents. The Hancock County Highway Department purchases commercial insurance for general liability and workers' compensation coverage. The county has not made other provisions to reduce the potential for financial loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Accounting Change

During the year, Hancock County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

Hancock County has been awarded a grant from the U.S. Department of Health and Human Services totaling \$723,800 to purchase equipment for the new hospital and a Rural Development loan and grant totaling \$168,000 from the U.S. Department of Agriculture to renovate the courthouse and install an elevator.

Hancock County has issued revenue anticipation notes of \$200,000 subsequent to June 30, 2005, to provide temporary operating funds for the General Fund.

D. Contingent Liabilities

Hancock County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts (ADA). This lawsuit applies to all of Hancock County facilities. As noted above, Hancock County was awarded a loan and grant from the U.S. Department of Agriculture to provide funding for the renovations to the courthouse. The county attorney estimates that once those renovations are complete, the county's risk of exposure to monetary damages from this suit will be minimal. The county is involved in other pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Landfill Closure/Postclosure Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and perform certain maintenance and monitoring functions at the site for 30 years after closure. Hancock County has stopped accepting waste and has placed the final cover on its landfill. The \$163,386 reported as postclosure care liability as of June 30, 2005, represents the estimated postclosure care cost for the next 22 years. The postclosure care is based on what it would cost to perform all postclosure care in 2005. Therefore, annual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between district attorney general of the Third Judicial District; Greene, Hamblen, Hancock and Hawkins counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

Administrative Office:

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

G. Jointly Governed Organizations

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. The member counties do not have any ongoing financial interest or responsibility for the authority. An Executive Committee, consisting of the chairman, vice chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex-officio member, is in charge of daily operations of the center.

H. Retirement Commitments

Plan Description

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

Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hancock County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 3.49 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hancock County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Hancock County’s annual pension cost of \$17,493 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hancock County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 19 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$17,493	100%	\$0
June 30, 2004	10,633	100	0
June 30, 2003	7,381	100	0

Required Supplementary Information
Schedule of Funding Progress for Hancock County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6/30/2003	\$973	\$980	\$ 7	99.29%	\$ 459	1.53%
6/30/2001	837	837	0	100	401	0
6/30/1999	676	697	21	96.99	347	6.05

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, which provides for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Chapter 149, Private Acts of 1941, and provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, govern purchasing procedures for this office. These statutes provide for the road superintendent to make all purchases and require that competitive bids be solicited for all purchases estimated to exceed \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 717,278	\$ 691,100	\$ 704,100	\$ 13,178
Fines, Forfeitures and Penalties	43,842	27,700	30,700	13,142
Charges for Current Services	699,153	491,330	602,230	96,923
Other Local Revenues	186,861	67,000	176,000	10,861
Fees Received from County Officials	226,822	167,000	190,500	36,322
State of Tennessee	1,340,099	1,324,537	1,402,069	(61,970)
Federal Government	257,275	335,267	384,035	(126,760)
Other Governments and Citizens Groups	60,626	47,000	47,000	13,626
Total Revenues	\$ 3,531,956	\$ 3,150,934	\$ 3,536,634	\$ (4,678)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 46,050	\$ 50,300	\$ 50,200	\$ 4,150
Board of Equalization	0	400	400	400
Beer Board	200	400	400	200
County Mayor	122,668	126,301	124,301	1,633
County Attorney	15,000	15,000	15,000	0
Election Commission (Including Voter Registration)	68,597	83,575	82,575	13,978
Register of Deeds	66,909	76,929	76,929	10,020
County Buildings	140,074	89,200	153,880	13,806
<u>Finance</u>				
Property Assessor's Office	71,668	74,019	74,019	2,351
Reappraisal Program	7,121	11,200	8,200	1,079
County Trustee's Office	73,770	75,312	75,312	1,542
County Clerk's Office	87,791	88,758	88,758	967
Other Finance	34,794	35,000	36,000	1,206
<u>Administration of Justice</u>				
Circuit Court	77,892	104,084	95,394	17,502
General Sessions Court	45,048	47,872	47,872	2,824
Chancery Court	65,509	68,869	68,869	3,360
District Attorney General	15,858	11,000	16,000	142
<u>Public Safety</u>				
Sheriff's Department	551,716	376,426	565,036	13,320
Jail	752,736	630,000	785,700	32,964
Juvenile Services	98,392	81,144	95,444	(2,948)
Commissary	93,064	51,429	91,429	(1,635)
Civil Defense	16,334	23,650	19,650	3,316
Rescue Squad	11,000	11,000	11,000	0
Other Emergency Management	51,527	140,958	140,958	89,431
County Coroner/Medical Examiner	15,108	15,000	15,110	2
Other Public Safety	432	1,000	1,000	568
<u>Public Health and Welfare</u>				
Local Health Center	18,219	63,000	20,000	1,781

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Ambulance/Emergency Medical Services	\$ 525,894	\$ 415,680	\$ 551,080	\$ 25,186
Alcohol and Drug Programs	6,848	2,500	7,000	152
Crippled Children Services	415	415	415	0
Other Local Health Services	38,814	20,000	67,599	28,785
Sanitation Management	31,733	31,737	31,737	4
<u>Social, Cultural and Recreational Services</u>				
Senior Citizens Assistance	5,498	5,098	5,498	0
Libraries	38,877	50,977	50,977	12,100
Other Social, Cultural and Recreational	72,218	37,000	74,950	2,732
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	42,980	42,586	46,436	3,456
Soil Conservation	10,668	11,992	11,992	1,324
Other Agriculture & Natural Resources	720	0	720	0
<u>Other Operations</u>				
Public Transportation	212,329	188,409	217,319	4,990
Veterans' Services	7,199	7,000	7,450	251
Employee Benefits	171,110	157,700	174,700	3,590
<u>Principal</u>				
General Government	76,714	86,390	76,803	89
<u>Interest</u>				
General Government	907	0	907	0
<u>Capital Projects</u>				
Public Health and Welfare Projects	40,000	40,000	40,000	0
Total Expenditures	\$ 3,830,401	\$ 3,449,310	\$ 4,125,019	\$ 294,618
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (298,445)	\$ (298,376)	\$ (588,385)	\$ 289,940
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 40,000	\$ 40,000	\$ 40,000	\$ 0
Capital Leases Issued	146,010	0	146,010	0
Transfers In	4,852	4,852	4,852	0
Transfers Out	(50,000)	(58,000)	(50,000)	0
Total Other Financing Sources (Uses)	\$ 140,862	\$ (13,148)	\$ 140,862	\$ 0
Net Change in Fund Balance	\$ (157,583)	\$ (311,524)	\$ (447,523)	\$ 289,940
Fund Balance, July 1, 2004	486,434	311,524	447,523	38,911
Fund Balance, June 30, 2005	\$ 328,851	\$ 0	\$ 0	\$ 328,851

Exhibit D-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 202,531	\$ 189,880	\$ 189,880	\$ 12,651
Charges for Current Services	10,564	10,000	10,000	564
Other Local Revenues	598	0	0	598
State of Tennessee	125,360	122,220	122,220	3,140
Total Revenues	<u>\$ 339,053</u>	<u>\$ 322,100</u>	<u>\$ 322,100</u>	<u>\$ 16,953</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 207,102	\$ 211,300	\$ 217,300	\$ 10,198
<u>Capital Projects</u>				
Public Health and Welfare Projects	139,960	135,800	140,000	40
Total Expenditures	<u>\$ 347,062</u>	<u>\$ 347,100</u>	<u>\$ 357,300</u>	<u>\$ 10,238</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (8,009)</u>	<u>\$ (25,000)</u>	<u>\$ (35,200)</u>	<u>\$ 27,191</u>
Net Change in Fund Balance	\$ (8,009)	\$ (25,000)	\$ (35,200)	\$ 27,191
Fund Balance, July 1, 2004	<u>36,136</u>	<u>25,000</u>	<u>35,200</u>	<u>936</u>
Fund Balance, June 30, 2005	<u>\$ 28,127</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,127</u>

Exhibit D-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 15,558	\$ 0	\$ 0	\$ 15,558
State of Tennessee	1,512,577	1,569,217	1,569,217	(56,640)
Federal Government	10,233	0	0	10,233
Total Revenues	\$ 1,538,368	\$ 1,569,217	\$ 1,569,217	\$ (30,849)
<u>Expenditures</u>				
<u>Finance</u>				
Data Processing	\$ 0	\$ 8,000	\$ 0	\$ 0
<u>Highways</u>				
Administration	397,698	435,582	443,582	45,884
Highway and Bridge Maintenance	643,859	816,110	806,710	162,851
Operation and Maintenance of Equipment	89,376	103,000	103,000	13,624
Other Charges	65,045	70,348	70,348	5,303
Employee Benefits	83,105	90,000	90,000	6,895
Capital Outlay	335,013	401,020	410,420	75,407
Total Expenditures	\$ 1,614,096	\$ 1,924,060	\$ 1,924,060	\$ 309,964
Excess (Deficiency) of Revenues Over Expenditures	\$ (75,728)	\$ (354,843)	\$ (354,843)	\$ 279,115
Net Change in Fund Balance	\$ (75,728)	\$ (354,843)	\$ (354,843)	\$ 279,115
Fund Balance, July 1, 2004	462,248	354,843	354,843	107,405
Fund Balance, June 30, 2005	\$ 386,520	\$ 0	\$ 0	\$ 386,520

HANCOCK COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

BUDGETARY INFORMATION

Annual budgets are adopted for all governmental funds except the Constitutional Officers – Fees special revenue fund and capital project funds. 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 State 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Health Department Fund – The Health Department Fund is used to account for the transactions related to the county health department. The primary revenue source for this fund is transfers from the county’s General Fund.

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

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for the transactions related to the Hancock County Home Health Care Program. The primary revenue source for this program is fees for medical services.

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

Capital Projects Fund

The General Capital Projects Fund is used to account for expenditures related to various capital projects of the county and debt issues contributed to the School Department.

Exhibit E-1

Hancock County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Special Revenue Funds				Total	Capital Projects Fund	Total Nonmajor Governmental Funds
	Health Department	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees		General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 223	\$ 223	\$ 0	223
Equity in Pooled Cash and Investments	29,042	17,870	87,223	0	134,135	1,189	135,324
Accounts Receivable	128	0	20,667	0	20,795	0	20,795
Due from Other Funds	0	199	0	0	199	0	199
Total Assets	\$ 29,170	\$ 18,069	\$ 107,890	\$ 223	\$ 155,352	\$ 1,189	\$ 156,541
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 2,070	\$ 0	\$ 330	\$ 0	\$ 2,400	\$ 58,170	\$ 60,570
Contracts Payable	0	0	0	0	0	10,601	10,601
Due to Other Funds	0	4,852	0	223	5,075	0	5,075
Total Liabilities	\$ 2,070	\$ 4,852	\$ 330	\$ 223	\$ 7,475	\$ 68,771	\$ 76,246
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,955	\$ 2,955
Reserved for Purchase of Electronic Fingerprint Imaging System	0	2,313	0	0	2,313	0	2,313
Unreserved (Deficit)	27,100	10,904	107,560	0	145,564	(70,537)	75,027
Total Fund Balances	\$ 27,100	\$ 13,217	\$ 107,560	\$ 0	\$ 147,877	\$ (67,582)	\$ 80,295
Total Liabilities and Fund Balances	\$ 29,170	\$ 18,069	\$ 107,890	\$ 223	\$ 155,352	\$ 1,189	\$ 156,541

Exhibit E-2

Hancock County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Health Department	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>							
Fines, Forfeitures and Penalties	\$ 0	\$ 199	\$ 0	\$ 0	\$ 199	\$ 0	\$ 199
Charges for Current Services	0	0	208,181	33,891	242,072	0	242,072
Federal Government	0	0	0	0	0	168,065	168,065
Total Revenues	\$ 0	\$ 199	\$ 208,181	\$ 33,891	\$ 242,271	\$ 168,065	\$ 410,336
<u>Expenditures</u>							
Current:							
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 33,891	\$ 33,891	\$ 0	\$ 33,891
Public Safety	0	500	0	0	500	0	500
Public Health and Welfare	48,295	0	201,433	0	249,728	0	249,728
Capital Projects	0	0	0	0	0	780,808	780,808
Total Expenditures	\$ 48,295	\$ 500	\$ 201,433	\$ 33,891	\$ 284,119	\$ 780,808	\$ 1,064,927
Excess (Deficiency) of Revenues Over Expenditures	\$ (48,295)	\$ (301)	\$ 6,748	\$ 0	\$ (41,848)	\$ (612,743)	\$ (654,591)
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 543,972	\$ 543,972
Transfers In	50,000	0	0	0	50,000	0	50,000
Transfers Out	0	(4,852)	0	0	(4,852)	0	(4,852)
Total Other Financing Sources (Uses)	\$ 50,000	\$ (4,852)	\$ 0	\$ 0	\$ 45,148	\$ 543,972	\$ 589,120
Net Change in Fund Balances	\$ 1,705	\$ (5,153)	\$ 6,748	\$ 0	\$ 3,300	\$ (68,771)	\$ (65,471)
Fund Balance, July 1, 2004	25,395	18,370	100,812	0	144,577	1,189	145,766
Fund Balance, June 30, 2005	\$ 27,100	\$ 13,217	\$ 107,560	\$ 0	\$ 147,877	\$ (67,582)	\$ 80,295

Exhibit E-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Health Department Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 48,295	\$ 75,395	\$ 75,395	\$ 27,100
Total Expenditures	\$ 48,295	\$ 75,395	\$ 75,395	\$ 27,100
Excess (Deficiency) of Revenues Over Expenditures	\$ (48,295)	\$ (75,395)	\$ (75,395)	\$ 27,100
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 50,000	\$ 50,000	\$ 50,000	\$ 0
Total Other Financing Sources (Uses)	\$ 50,000	\$ 50,000	\$ 50,000	\$ 0
Net Change in Fund Balance	\$ 1,705	\$ (25,395)	\$ (25,395)	\$ 27,100
Fund Balance, July 1, 2004	25,395	25,395	25,395	0
Fund Balance, June 30, 2005	\$ 27,100	\$ 0	\$ 0	\$ 27,100

Exhibit E-4

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 199	\$ 0	\$ 0	\$ 199
State of Tennessee	0	15,000	15,000	(15,000)
Total Revenues	<u>\$ 199</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ (14,801)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 500	\$ 26,148	\$ 26,148	\$ 25,648
Total Expenditures	<u>\$ 500</u>	<u>\$ 26,148</u>	<u>\$ 26,148</u>	<u>\$ 25,648</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (301)</u>	<u>\$ (11,148)</u>	<u>\$ (11,148)</u>	<u>\$ 10,847</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (4,852)	\$ (4,852)	\$ (4,852)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (4,852)</u>	<u>\$ (4,852)</u>	<u>\$ (4,852)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (5,153)	\$ (16,000)	\$ (16,000)	\$ 10,847
Fund Balance, July 1, 2004	18,370	16,000	16,000	2,370
Fund Balance, June 30, 2005	<u>\$ 13,217</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,217</u>

Exhibit E-5

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 208,181	\$ 140,000	\$ 140,000	\$ 68,181
Total Revenues	\$ 208,181	\$ 140,000	\$ 140,000	\$ 68,181
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 201,433	\$ 196,800	\$ 223,850	\$ 22,417
Total Expenditures	\$ 201,433	\$ 196,800	\$ 223,850	\$ 22,417
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,748	\$ (56,800)	\$ (83,850)	\$ 90,598
Net Change in Fund Balance	\$ 6,748	\$ (56,800)	\$ (83,850)	\$ 90,598
Fund Balance, July 1, 2004	100,812	56,800	83,850	16,962
Fund Balance, June 30, 2005	\$ 107,560	\$ 0	\$ 0	\$ 107,560

Major Governmental Fund

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Exhibit F-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 43,069	\$ 35,800	\$ 35,800	\$ 7,269
Other Local Revenues	237,887	100,000	100,000	137,887
State of Tennessee	218	100	100	118
Other Governments and Citizens Groups	801,711	433,502	979,837	(178,126)
Total Revenues	<u>\$ 1,082,885</u>	<u>\$ 569,402</u>	<u>\$ 1,115,737</u>	<u>\$ (32,852)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 362,082	\$ 323,082	\$ 363,442	\$ 1,360
Education	150,000	150,000	150,000	0
<u>Interest</u>				
General Government	361,146	400,640	399,619	38,473
Education	233,723	585,000	541,169	307,446
<u>Other Debt Service</u>				
General Government	11,861	7,000	11,435	(426)
Education	46,556	0	46,152	(404)
Total Expenditures	<u>\$ 1,165,368</u>	<u>\$ 1,465,722</u>	<u>\$ 1,511,817</u>	<u>\$ 346,449</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (82,483)</u>	<u>\$ (896,320)</u>	<u>\$ (396,080)</u>	<u>\$ 313,597</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 541,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 541,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (82,483)	\$ (355,320)	\$ (396,080)	\$ 313,597
Fund Balance, July 1, 2004	<u>793,458</u>	<u>355,320</u>	<u>396,080</u>	<u>397,378</u>
Fund Balance, June 30, 2005	<u>\$ 710,975</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 710,975</u>

Agency Funds

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

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

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

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

Exhibit G-1

Hancock County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Agency Funds			Total
	Cities - Sales Tax	Constitu - tional Officers - Agency	Other Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 482,749	\$ 0	\$ 482,749
Equity in Pooled Cash and Investments	0	0	26,149	26,149
Accounts Receivable	0	0	2,523	2,523
Due from Other Governments	21,503	0	0	21,503
Prepaid Items	0	0	2,568	2,568
Total Assets	<u>\$ 21,503</u>	<u>\$ 482,749</u>	<u>\$ 31,240</u>	<u>\$ 535,492</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 234	\$ 234
Due to Other Funds	0	10,062	0	10,062
Due to Other Taxing Units	21,503	0	31,006	52,509
Due to Litigants, Heirs, and Others	0	472,687	0	472,687
Total Liabilities	<u>\$ 21,503</u>	<u>\$ 482,749</u>	<u>\$ 31,240</u>	<u>\$ 535,492</u>

Exhibit G-2

Hancock County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 129,983	\$ 129,983	\$ 0
Due from Other Governments	19,962	21,503	19,962	21,503
Total Assets	\$ 19,962	\$ 151,486	\$ 149,945	\$ 21,503
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 19,962	\$ 151,486	\$ 149,945	\$ 21,503
Total Liabilities	\$ 19,962	\$ 151,486	\$ 149,945	\$ 21,503
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 537,027	\$ 1,206,507	\$ 1,260,785	\$ 482,749
Total Assets	\$ 537,027	\$ 1,206,507	\$ 1,260,785	\$ 482,749
<u>Liabilities</u>				
Due to Other Funds	\$ 10,746	\$ 10,062	\$ 10,746	\$ 10,062
Due to Litigants, Heirs, and Others	526,281	1,196,445	1,250,039	472,687
Total Liabilities	\$ 537,027	\$ 1,206,507	\$ 1,260,785	\$ 482,749
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 21,642	\$ 84,148	\$ 79,641	\$ 26,149
Accounts Receivable	4,552	2,523	4,552	2,523
Prepaid Items	0	2,568	0	2,568
Total Assets	\$ 26,194	\$ 89,239	\$ 84,193	\$ 31,240
<u>Liabilities</u>				
Accounts Payable	\$ 18	\$ 234	\$ 18	\$ 234
Due to Other Taxing Units	26,176	89,005	84,175	31,006
Total Liabilities	\$ 26,194	\$ 89,239	\$ 84,193	\$ 31,240

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 537,027	\$ 1,206,507	\$ 1,260,785	\$ 482,749
Equity in Pooled Cash and Investments	21,642	214,131	209,624	26,149
Accounts Receivable	4,552	2,523	4,552	2,523
Due from Other Governments	19,962	21,503	19,962	21,503
Prepaid Items	0	2,568	0	2,568
Total Assets	<u>\$ 583,183</u>	<u>\$ 1,447,232</u>	<u>\$ 1,494,923</u>	<u>\$ 535,492</u>
<u>Liabilities</u>				
Accounts Payable	\$ 18	\$ 234	\$ 18	\$ 234
Due to Other Funds	10,746	10,062	10,746	10,062
Due to Other Taxing Units	46,138	240,491	234,120	52,509
Due to Litigants, Heirs, and Others	526,281	1,196,445	1,250,039	472,687
Total Liabilities	<u>\$ 583,183</u>	<u>\$ 1,447,232</u>	<u>\$ 1,494,923</u>	<u>\$ 535,492</u>

MISCELLANEOUS SCHEDULES

Exhibit H-1

Hancock County, Tennessee
Schedule of Changes in Long-Term Notes, Bonds, Capital Leases, and Other Loans Payable
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Capital Outlay (Ambulance)	\$ 52,000	5.8 %	6-4-02	6-4-05	\$ 17,333	\$ 0	\$ 17,333	\$ 0
Capital Outlay (Ambulance)	61,950	3.85	5-27-04	5-27-07	61,950	0	20,650	41,300
Total Payable through General Fund					<u>\$ 79,283</u>	<u>\$ 0</u>	<u>\$ 37,983</u>	<u>\$ 41,300</u>
<u>Payable through General Debt Service Fund</u>								
Transfer Property	40,000	2.95	12-1-04	12-1-07	\$ 0	\$ 40,000	\$ 40,000	\$ 0
Total Payable through General Debt Service Fund					<u>\$ 0</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 0</u>
Total Notes Payable					<u>\$ 79,283</u>	<u>\$ 40,000</u>	<u>\$ 77,983</u>	<u>\$ 41,300</u>
<u>GENERAL BONDED DEBT</u>								
<u>Payable through General Debt Service Fund</u>								
F.H.A. Industrial Development Bond	85,000	4.875	3-26-1999	3-26-36	\$ 79,486	\$ 0	\$ 1,082	\$ 78,404
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	6,000,000	0	240,000	5,760,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	300,000	0	30,000	270,000
Total Payable through General Debt Service Fund					<u>\$ 6,379,486</u>	<u>\$ 0</u>	<u>\$ 271,082</u>	<u>\$ 6,108,404</u>
Total General Bonded Debt					<u>\$ 6,379,486</u>	<u>\$ 0</u>	<u>\$ 271,082</u>	<u>\$ 6,108,404</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	146,010	4.1	9-22-04	9-22-07	\$ 0	\$ 146,010	\$ 38,731	\$ 107,279
Total Capital Leases Payable					<u>\$ 0</u>	<u>\$ 146,010</u>	<u>\$ 38,731</u>	<u>\$ 107,279</u>

(Continued)

Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	\$ 12,000,000	Variable	4-6-00	5-25-27	\$ 11,700,000	\$ 0	\$ 150,000	\$ 11,550,000
Refunding Issue	945,000	Variable	6-28-02	5-25-17	853,000	0	51,000	802,000
School Construction and Hospital Equipment	(1)	Variable	5-3-05	5-25-31	0	1,251,542	0	1,251,542
Total Other Loans Payable					<u>\$ 12,553,000</u>	<u>\$ 1,251,542</u>	<u>\$ 201,000</u>	<u>\$ 13,603,542</u>

(1) The total amount approved for draws under this loan agreement is \$1,650,000 of which \$1,251,542 has been drawn as of June 30, 2005.

Exhibit H-2

Hancock County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	F.H.A Bond Requirements	F.H.A. Interest Requirements	Total Requirements
2006	\$ 270,000	\$ 340,103	\$ 1,135	\$ 3,822	\$ 615,060
2007	270,000	324,606	1,190	3,767	599,563
2008	270,000	309,581	1,248	3,709	584,538
2009	270,000	294,555	1,309	3,648	569,512
2010	270,000	280,295	1,373	3,584	555,252
2011	270,000	264,504	1,440	3,517	539,461
2012	270,000	249,478	1,510	3,447	524,435
2013	270,000	234,451	1,584	3,373	509,408
2014	270,000	220,027	1,661	3,296	494,984
2015	240,000	204,400	1,742	3,215	449,357
2016	240,000	190,773	1,827	3,130	435,730
2017	240,000	177,147	1,916	3,041	422,104
2018	240,000	163,968	2,009	2,948	408,925
2019	240,000	149,893	2,107	2,850	394,850
2020	240,000	136,267	2,210	2,747	381,224
2021	240,000	122,640	2,317	2,640	367,597
2022	240,000	109,312	2,430	2,527	354,269
2023	240,000	95,387	2,549	2,408	340,344
2024	240,000	81,760	2,673	2,284	326,717
2025	240,000	68,133	2,803	2,154	313,090
2026	240,000	54,656	2,940	2,017	299,613
2027	240,000	40,880	3,083	1,874	285,837
2028	240,000	27,253	3,234	1,723	272,210
2029	240,000	13,627	3,391	1,566	258,584
2030	0	0	3,557	1,400	4,957
2031	0	0	3,730	1,227	4,957
2032	0	0	3,912	1,045	4,957
2033	0	0	4,103	854	4,957
2034	0	0	4,303	654	4,957
2035	0	0	4,512	445	4,957
2036	0	0	4,606	351	4,957
Total	\$ 6,030,000	\$ 4,153,696	\$ 78,404	\$ 75,263	\$ 10,337,363

Exhibit H-3

Hancock County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Health Department	To provide operating funds	\$ 50,000
Drug Control	General	To purchase fingerprinting equipment	<u>4,852</u>
Total Transfers			<u>\$ 54,852</u>

Hancock County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 54,301	\$ 25,000	Auto-Owners Mutual Ins. Co.
Road Superintendent	Section 8-24-102, <u>TCA</u>	46,715	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	42,469	392,000	Auto-Owners Mutual Ins. Co.
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	Auto-Owners Mutual Ins. Co.
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	76,098 (1)	25,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	Auto-Owners Mutual Ins. Co.
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	52,234 (2)	25,000	Western Surety Company
Employee Blanket Bonds - All County Employees Public Employee Dishonesty			25,000	"

(1) Includes special commissioner fees of \$33,629.

(2) Includes county workhouse supplement of \$5,000 and law enforcement training supplement of \$519.

Exhibit H-5

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 510,136	\$ 189,093	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	11,003	4,402	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	23,658	6,648	0	0	0	0
Interest and Penalty	2,258	885	0	0	0	0
Payments in Lieu of Taxes - T.V.A.	14	5	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	48,291	0	0	0	0	0
Wheel Tax	54,644	0	0	0	0	0
Litigation Tax - General	13,037	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	5,945	0	0	0	0	0
Business Tax	19,025	0	0	0	0	0
Other County Local Option Taxes	12,949	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	12,204	0	0	0	0	0
Wholesale Beer Tax	4,114	1,498	0	0	0	0
Total Local Taxes	\$ 717,278	\$ 202,531	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 6,287	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	820	0	0	0	0	0
Drug Control Fines	4,015	0	0	0	0	0
Drug Court Fees	140	0	0	0	0	0
Data Entry Fee - Circuit Court	138	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	19,919	0	0	0	0	0
Officers Costs	3,942	0	0	0	0	0
Drug Control Fines	5,660	0	0	0	0	0
Drug Court Fees	735	0	0	0	0	0
Data Entry Fee - General Sessions Court	982	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	525	0	0	0	0	0
Data Entry Fee - Chancery Court	462	0	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	\$ 217	\$ 0	\$ 199	\$ 0	\$ 0	\$ 0
Total Fines, Forfeitures and Penalties	\$ 43,842	\$ 0	\$ 199	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 10,564	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	608,268	0	0	208,181	0	0
Work Release Charges for Board	19,024	0	0	0	0	0
Other General Service Charges	16,164	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	8,622	0	0	0	0	0
Copy Fees	584	0	0	0	0	0
Telephone Commissions	43,415	0	0	0	0	0
Vending Machine Collections	340	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	262	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	33,629	0
Data Processing Fee - Register	2,736	0	0	0	0	0
Total Charges for Current Services	\$ 699,153	\$ 10,564	\$ 0	\$ 208,181	\$ 33,891	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Materials and Supplies	7,296	0	0	0	0	15,558
Commissary Sales	100,813	0	0	0	0	0
Miscellaneous Refunds	6,060	598	0	0	0	0
<u>Nonrecurring Items</u>						
Insurance Recovery	27,253	0	0	0	0	0
Sale of Equipment	3,290	0	0	0	0	0
Contributions & Gifts	36,000	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	6,149	0	0	0	0	0
Total Other Local Revenues	\$ 186,861	\$ 598	\$ 0	\$ 0	\$ 0	\$ 15,558

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 49,703	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	11,139	0	0	0	0	0
General Sessions Court Clerk	30,410	0	0	0	0	0
Clerk and Master	16,064	0	0	0	0	0
Register	27,670	0	0	0	0	0
Sheriff	1,094	0	0	0	0	0
Trustee	90,742	0	0	0	0	0
Total Fees Received from County Officials	\$ 226,822	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	2,596	0	0	0	0	0
Solid Waste Grants	0	125,302	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	8,736	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	134,236
State Aid Program	0	0	0	0	0	104,488
Litter Program	31,732	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	585	58	0	0	0	0
Beer Tax	16,778	0	0	0	0	0
Alcoholic Beverage Tax	12,350	0	0	0	0	0
State Revenue Sharing - T.V.A.	152,272	0	0	0	0	0
Emergency Hospital - Prisoners	8,187	0	0	0	0	0
Board of Jurors	387	0	0	0	0	0
Contracted Prisoner Boarding	1,038,462	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,268,394
Petroleum Special Tax	0	0	0	0	0	5,459
Reappraisal Program Reimbursement	865	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	41,769	0	0	0	0	0
Total State of Tennessee	\$ 1,340,099	\$ 125,360	\$ 0	\$ 0	\$ 0	1,512,577

(Continued)

Exhibit H-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>						
<u>Federal Through State</u>						
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Community Development	0	0	0	0	0	0
Disaster Relief	0	0	0	0	0	10,233
Other Federal through State	184,985	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	72,290	0	0	0	0	0
Total Federal Government	\$ 257,275	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,233
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	60,226	0	0	0	0	0
<u>Other</u>						
Other	400	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 60,626	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 3,531,956	\$ 339,053	\$ 199	\$ 208,181	\$ 33,891	\$ 1,538,368

(Continued)

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

	Debt Service Fund	Capital Projects Funds		
	General Debt Service	General Capital Projects	Other Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 31,099	\$ 0	\$ 0	\$ 730,328
Trustee's Collections - Prior Year	6,052	0	0	21,457
Circuit/Clerk & Master Collections - Prior Years	4,795	0	0	35,101
Interest and Penalty	985	0	0	4,128
Payments in Lieu of Taxes - T.V.A.	1	0	0	20
<u>County Local Option Taxes</u>				
Local Option Sales Tax	0	0	0	48,291
Wheel Tax	0	0	0	54,644
Litigation Tax - General	0	0	0	13,037
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	5,945
Business Tax	0	0	0	19,025
Other County Local Option Taxes	0	0	0	12,949
<u>Statutory Local Taxes</u>				
Bank Excise Tax	0	0	0	12,204
Wholesale Beer Tax	137	0	0	5,749
Total Local Taxes	\$ 43,069	\$ 0	\$ 0	\$ 962,878
<u>Fines, Forfeitures and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 0	\$ 0	\$ 0	\$ 6,287
Officers Costs	0	0	0	820
Drug Control Fines	0	0	0	4,015
Drug Court Fees	0	0	0	140
Data Entry Fee - Circuit Court	0	0	0	138
<u>General Sessions Court</u>				
Fines	0	0	0	19,919
Officers Costs	0	0	0	3,942
Drug Control Fines	0	0	0	5,660
Drug Court Fees	0	0	0	735
Data Entry Fee - General Sessions Court	0	0	0	982
<u>Chancery Court</u>				
Officers Costs	0	0	0	525
Data Entry Fee - Chancery Court	0	0	0	462

(Continued)

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

	Debt Service Fund			Capital Projects Funds			Total
	General Debt Service	General Capital Projects	Other Capital Projects				
<u>Fines, Forfeitures and Penalties (Cont.)</u>							
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	416
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	44,041
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,564
Patient Charges	0	0	0	0	0	0	816,449
Work Release Charges for Board	0	0	0	0	0	0	19,024
Other General Service Charges	0	0	0	0	0	0	16,164
<u>Fees</u>							
Recreation Fees	0	0	0	0	0	0	8,622
Copy Fees	0	0	0	0	0	0	584
Telephone Commissions	0	0	0	0	0	0	43,415
Vending Machine Collections	0	0	0	0	0	0	340
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0	262
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0	33,629
Data Processing Fee - Register	0	0	0	0	0	0	2,736
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	951,789
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 237,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	237,887
Sale of Materials and Supplies	0	0	0	0	0	0	22,854
Commissary Sales	0	0	0	0	0	0	100,813
Miscellaneous Refunds	0	0	0	0	0	0	6,658
<u>Nonrecurring Items</u>							
Insurance Recovery	0	0	0	0	0	0	27,253
Sale of Equipment	0	0	0	0	0	0	3,290
Contributions & Gifts	0	0	0	0	0	0	36,000
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0	0	0	0	6,149
Total Other Local Revenues	\$ 237,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	440,904

(Continued)

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

	Debt	Capital Projects Funds		Total
	Service Fund	General Capital Projects	Other Capital Projects	
	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Fees Received from County Officials</u>				
<u>Fees In Lieu of Salary</u>				
County Clerk	\$ 0	\$ 0	\$ 0	\$ 49,703
Circuit Court Clerk	0	0	0	11,139
General Sessions Court Clerk	0	0	0	30,410
Clerk and Master	0	0	0	16,064
Register	0	0	0	27,670
Sheriff	0	0	0	1,094
Trustee	0	0	0	90,742
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 226,822
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	0	0	0	2,596
Solid Waste Grants	0	0	0	125,302
<u>Public Safety Grants</u>				
Law Enforcement Training Programs	0	0	0	8,736
<u>Public Works Grants</u>				
Bridge Program	0	0	0	134,236
State Aid Program	0	0	0	104,488
Litter Program	0	0	0	31,732
<u>Other State Revenues</u>				
Income Tax	218	0	0	861
Beer Tax	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	12,350
State Revenue Sharing - T.V.A.	0	0	0	152,272
Emergency Hospital - Prisoners	0	0	0	8,187
Board of Jurors	0	0	0	387
Contracted Prisoner Boarding	0	0	0	1,038,462
Gasoline and Motor Fuel Tax	0	0	0	1,268,394
Petroleum Special Tax	0	0	0	5,459
Reappraisal Program Reimbursement	0	0	0	865
Registrar's Salary Supplement	0	0	0	16,380
Other State Grants	0	0	0	41,769
Total State of Tennessee	\$ 218	\$ 0	\$ 0	\$ 2,978,254

(Continued)

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

	Debt Service Fund	Capital Projects Funds		
	General Debt Service	General Capital Projects	Other Capital Projects	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
Appalachian Regional Commission	\$ 0	\$ 0	\$ 337,194	\$ 337,194
Community Development	0	168,065	0	168,065
Disaster Relief	0	0	0	10,233
Other Federal through State	0	0	0	184,985
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	0	0	72,290
Total Federal Government	<u>\$ 0</u>	<u>\$ 168,065</u>	<u>\$ 337,194</u>	<u>\$ 772,767</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 430,280	\$ 0	\$ 0	\$ 430,280
Contracted Services	0	0	0	60,226
<u>Other</u>				
Other	371,431	0	0	371,831
Total Other Governments and Citizens Groups	<u>\$ 801,711</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 862,337</u>
Total	<u>\$ 1,082,885</u>	<u>\$ 168,065</u>	<u>\$ 337,194</u>	<u>\$ 7,239,792</u>

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	33,750	
Audit Services		1,655	
Contributions		1,000	
Dues and Memberships		4,563	
Legal Notices, Recording and Court Costs		1,818	
Other Charges		3,264	
Total County Commission			\$ 46,050

Beer Board

Board and Committee Members Fees	\$	200	
Total Beer Board			200

County Mayor

County Official/Administrative Officer	\$	54,301	
Secretary(s)		30,133	
Communication		7,574	
Data Processing Services		6,326	
Dues and Memberships		229	
Operating Lease Payments		3,277	
Maintenance Agreements		475	
Postal Charges		3,251	
Travel		6,780	
Office Supplies		7,723	
Premiums on Corporate Surety Bonds		285	
Office Equipment		2,314	
Total County Mayor			122,668

County Attorney

County Official/Administrative Officer	\$	15,000	
Total County Attorney			15,000

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	33,975	
Other Salaries & Wages		2,048	
Election Commission		8,100	
Election Workers		8,575	
Communication		1,294	
Data Processing Services		4,132	
Dues and Memberships		200	
Janitorial Services		300	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration) (Cont.)

Legal Notices, Recording and Court Costs	\$	1,102	
Maintenance & Repair Services- Equipment		60	
Postal Charges		1,407	
Printing, Stationery and Forms		921	
Rentals		600	
Travel		3,363	
Other Contracted Services		1,020	
Data Processing Supplies		110	
Office Supplies		1,390	
Total Election Commission (Including Voter Registration)	\$		68,597

Register of Deeds

County Official/Administrative Officer	\$	42,469	
Clerical Personnel		15,308	
Communication		1,852	
Data Processing Services		1,734	
Dues and Memberships		309	
Operating Lease Payments		1,946	
Postal Charges		400	
Data Processing Supplies		175	
Office Supplies		2,616	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			66,909

County Buildings

Custodial Personnel	\$	108	
Audit Services		2,680	
Maintenance & Repair Services- Buildings		29,029	
Other Contracted Services		38,292	
Custodial Supplies		10,886	
Electricity		16,370	
Water and Sewer		2,699	
Other Supplies and Materials		40,010	
Total County Buildings			140,074

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Clerical Personnel		15,116	
Audit Services		1,000	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$	1,393	
Data Processing Services		7,792	
Operating Lease Payments		1,131	
Postal Charges		600	
Travel		1,000	
Office Supplies		810	
Premiums on Corporate Surety Bonds		357	
Total Property Assessor's Office			\$ 71,668

Reappraisal Program

Clerical Personnel	\$	6,045	
Contracts with Government Agencies		1,076	
Total Reappraisal Program			7,121

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Clerical Personnel		16,988	
Communication		3,014	
Data Processing Services		4,539	
Dues and Memberships		339	
Operating Lease Payments		1,499	
Legal Notices, Recording and Court Costs		532	
Postal Charges		1,890	
Travel		48	
Office Supplies		1,394	
Premiums on Corporate Surety Bonds		1,058	
Total County Trustee's Office			73,770

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Clerical Personnel		35,091	
Other Per Diem & Fees		550	
Communication		2,635	
Dues and Memberships		319	
Operating Lease Payments		1,869	
Postal Charges		418	
Travel		1,464	
Office Supplies		2,043	
Premiums on Corporate Surety Bonds		125	
Office Equipment		808	
Total County Clerk's Office			87,791

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Other Finance

Trustee's Commission	\$ 34,794	
Total Other Finance		\$ 34,794

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 42,469	
Clerical Personnel	23,057	
Jury and Witness Fees	4,217	
Other Per Diem & Fees	350	
Communication	2,252	
Dues and Memberships	60	
Operating Lease Payments	2,074	
Legal Notices, Recording and Court Costs	47	
Postal Charges	426	
Travel	43	
Office Supplies	1,909	
Other Supplies and Materials	158	
Premiums on Corporate Surety Bonds	100	
Office Equipment	730	
Total Circuit Court		77,892

General Sessions Court

Judge(s)	\$ 44,172	
Dues and Memberships	140	
Travel	736	
Total General Sessions Court		45,048

Chancery Court

County Official/Administrative Officer	\$ 42,469	
Clerical Personnel	13,442	
Communication	1,767	
Dues and Memberships	289	
Operating Lease Payments	1,450	
Maintenance & Repair Services- Office Equipment	25	
Postal Charges	126	
Office Supplies	2,475	
Premiums on Corporate Surety Bonds	175	
Office Equipment	3,291	
Total Chancery Court		65,509

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General

Other Contracted Services	\$ 15,858	
Total District Attorney General		\$ 15,858

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 51,715	
Deputy(ies)	124,485	
Investigator(s)	27,351	
Guidance Personnel	11,889	
In-Service Training	13,336	
Dues and Memberships	2,324	
Maintenance Agreements	75	
Maintenance & Repair Services- Vehicles	4,030	
Gasoline	29,445	
Law Enforcement Supplies	7,710	
Lubricants	57	
Tires and Tubes	1,803	
Uniforms	5,482	
Vehicle Parts	13,675	
Liability Insurance	37,924	
Premiums on Corporate Surety Bonds	4,025	
Vehicle and Equipment Insurance	42,532	
Motor Vehicles	173,858	
Total Sheriff's Department		551,716

Jail

Accountants/Bookkeepers	\$ 18,428
Medical Personnel	19,886
Dispatchers/Radio Operators	88,069
Guards	216,939
Clerical Personnel	17,150
Cafeteria Personnel	17,992
Custodial Personnel	8,736
Communication	11,062
Operating Lease Payments	3,031
Legal Notices, Recording and Court Costs	149
Maintenance & Repair Services- Buildings	8,357
Maintenance & Repair Services- Equipment	2,563
Medical and Dental Services	54,459
Postal Charges	2,107

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Transportation - Other than Students	\$	32	
Travel		18,062	
Other Contracted Services		7,647	
Custodial Supplies		15,777	
Drugs and Medical Supplies		5,830	
Electricity		45,475	
Food Preparation Supplies		1,049	
Food Supplies		151,274	
General Construction Materials		5,263	
Office Supplies		5,676	
Water and Sewer		24,331	
Other Supplies and Materials		2,686	
Other Charges		225	
Office Equipment		258	
Other Equipment		223	
Total Jail			\$ 752,736

Juvenile Services

Youth Service Officer(s)	\$	10,300	
Communication		721	
Contracts with Other Public Agencies		170	
Dues and Memberships		125	
Travel		410	
Other Contracted Services		86,540	
Office Supplies		126	
Total Juvenile Services			98,392

Commissary

Other Supplies and Materials	\$	6,996	
Other Charges		86,068	
Total Commissary			93,064

Civil Defense

Other Salaries & Wages	\$	4,800	
In-Service Training		100	
Communication		694	
Maintenance & Repair Services- Vehicles		719	
Diesel Fuel		462	
Other Supplies and Materials		952	
Vehicle and Equipment Insurance		8,607	
Total Civil Defense			16,334

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 11,000	
Total Rescue Squad		\$ 11,000

Other Emergency Management

Other Equipment	\$ 51,527	
Total Other Emergency Management		51,527

County Coroner/Medical Examiner

Supervisor/Director	\$ 15,108	
Total County Coroner/Medical Examiner		15,108

Other Public Safety

Road Signs	\$ 432	
Total Other Public Safety		432

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$ 8,000	
Postal Charges	200	
Travel	1,933	
Other Supplies and Materials	8,016	
Other Equipment	70	
Total Local Health Center		18,219

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 19,903
Medical Personnel	206,478
Clerical Personnel	10,585
Part-time Personnel	135,917
Overtime Pay	28,081
Other Salaries & Wages	176
In-Service Training	4,836
Communication	3,230
Contributions	8,000
Data Processing Services	1,200
Operating Lease Payments	1,875
Legal Services	1,807
Maintenance & Repair Services- Buildings	550
Maintenance & Repair Services- Vehicles	4,955
Medical and Dental Services	257

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Postal Charges	\$	329	
Travel		2,311	
Disposal Fees		2,210	
Other Contracted Services		825	
Custodial Supplies		4,589	
Diesel Fuel		17,881	
Drugs and Medical Supplies		27,111	
Electricity		11,094	
Lubricants		51	
Office Supplies		4,181	
Tires and Tubes		5,909	
Uniforms		6,215	
Vehicle Parts		5,213	
Water and Sewer		7,439	
Other Supplies and Materials		1,523	
Refunds		659	
Communication Equipment		504	
Total Ambulance/Emergency Medical Services			\$ 525,894

Alcohol and Drug Programs

Investigator(s)	\$	5,576	
Other Supplies and Materials		1,272	
Total Alcohol and Drug Programs			6,848

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Assistant(s)	\$	5,128	
Medical Personnel		31,846	
Part-time Personnel		364	
Travel		137	
Liability Insurance		1,339	
Total Other Local Health Services			38,814

Sanitation Management

Guards	\$	24,178	
Clerical Personnel		2,400	
Other Salaries & Wages		300	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Other Supplies and Materials	\$ 4,855	
Total Sanitation Management		\$ 31,733

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$ 5,498	
Total Senior Citizens Assistance		5,498

Libraries

Librarians	\$ 20,514	
Part-time Personnel	4,779	
Communication	1,649	
Contributions	11,935	
Total Libraries		38,877

Other Social, Cultural and Recreational

Supervisor/Director	\$ 23,340	
Communication	595	
Contributions	12,000	
Custodial Supplies	896	
Electricity	18,479	
Office Supplies	638	
Water and Sewer	7,306	
Other Supplies and Materials	8,299	
Refunds	50	
Other Charges	615	
Total Other Social, Cultural and Recreational		72,218

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$ 2,773	
Operating Lease Payments	855	
Postal Charges	26	
Rentals	5,000	
Other Contracted Services	31,653	
Custodial Supplies	21	
Electricity	1,129	
Office Supplies	342	
Water and Sewer	550	
Other Supplies and Materials	631	
Total Agriculture Extension Service		42,980

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Communication	\$	566	
Contributions		5,752	
Rentals		3,840	
Electricity		510	
Total Soil Conservation			\$ 10,668

Other Agriculture & Natural Resources

Consultants	\$	720	
Total Other Agriculture & Natural Resources			720

Other Operations

Public Transportation

Supervisor/Director	\$	20,267	
Bus Drivers		106,567	
Dues and Memberships		524	
Legal Notices, Recording and Court Costs		245	
Maintenance & Repair Services- Vehicles		8,785	
Postal Charges		109	
Travel		1,061	
Other Contracted Services		178	
Gasoline		24,203	
Lubricants		1,188	
Office Supplies		964	
Tires and Tubes		2,735	
Vehicle Parts		7,294	
Refunds		20	
Vehicle and Equipment Insurance		18,005	
Other Charges		1,399	
Motor Vehicles		18,785	
Total Public Transportation			212,329

Veterans' Services

Other Salaries & Wages	\$	6,000	
Communication		1,120	
Electricity		79	
Total Veterans' Services			7,199

Employee Benefits

Social Security	\$	145,518	
State Retirement		15,863	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

Unemployment Compensation	\$ 9,729	
Total Employee Benefits		\$ 171,110

Principal

General Government

Principal on Notes	\$ 37,983	
Principal on Capitalized Leases	38,731	
Total General Government		76,714

Interest

General Government

Interest on Notes	\$ 907	
Total General Government		907

Capital Projects

Public Health and Welfare Projects

Land	\$ 40,000	
Total Public Health and Welfare Projects		40,000

Total General Fund \$ 3,830,401

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 23,004
Truck Drivers	23,968
Other Salaries & Wages	15,175
Social Security	4,734
Unemployment Compensation	488
Contracts with Private Agencies	78,059
Maintenance & Repair Services- Equipment	3,072
Other Contracted Services	14,187
Diesel Fuel	18,102
Electricity	1,463
Lubricants	348
Tires and Tubes	5,498
Vehicle Parts	3,814
Other Supplies and Materials	935
Trustee's Commission	7,990
Vehicle and Equipment Insurance	6,169

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)
Public Health and Welfare (Cont.)
Sanitation Management (Cont.)

Other Charges	\$ 96	
Total Sanitation Management		\$ 207,102

Capital Projects

Public Health and Welfare Projects

Other Contracted Services	\$ 1,550	
Concrete	2,268	
Fencing	6,650	
Other Charges	1,499	
Solid Waste Equipment	127,993	
Total Public Health and Welfare Projects		<u>139,960</u>

Total Solid Waste/Sanitation Fund \$ 347,062

Health Department Fund

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,710	
Social Security	437	
Unemployment Compensation	81	
Communication	4,389	
Operating Lease Payments	2,118	
Maintenance Agreements	597	
Maintenance & Repair Services- Buildings	9,823	
Maintenance & Repair Services- Equipment	50	
Pest Control	342	
Postal Charges	1,704	
Custodial Supplies	1,841	
Drugs and Medical Supplies	355	
Electricity	10,396	
Office Supplies	2,934	
Water and Sewer	2,134	
Other Supplies and Materials	263	
Building and Contents Insurance	1,586	
Other Charges	1,856	
Office Equipment	334	
Other Equipment	1,345	
Total Local Health Center		<u>\$ 48,295</u>

Total Health Department Fund 48,295

(Continued)

Exhibit H-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$ 500	
Total Drug Enforcement		\$ 500

Total Drug Control Fund \$ 500

Other Special Revenue Fund

Public Health and Welfare

Other Local Health Services

Supervisor/Director	\$ 36,266	
Medical Personnel	69,982	
Clerical Personnel	20,447	
Other Salaries & Wages	25,133	
Social Security	11,532	
Unemployment Compensation	941	
Audit Services	2,500	
Communication	6,146	
Contributions	2,500	
Dues and Memberships	100	
Operating Lease Payments	2,315	
Maintenance & Repair Services- Buildings	556	
Postal Charges	18	
Travel	12,202	
Other Contracted Services	485	
Drugs and Medical Supplies	3,577	
Electricity	1,657	
General Construction Materials	260	
Office Supplies	2,975	
Water and Sewer	561	
Other Supplies and Materials	296	
Refunds	630	
Other Charges	354	
Total Other Local Health Services		\$ 201,433

Total Other Special Revenue Fund 201,433

Constitutional Officers - Fees Fund

Administration of Justice

General Sessions Court Clerk

Bank Charges	\$ 89	
Total General Sessions Court Clerk		\$ 89

(Continued)

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	33,629	
Legal Notices, Recording and Court Costs		173	
Total Chancery Court			\$ 33,802

Total Constitutional Officers - Fees Fund \$ 33,891

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	46,715	
Accountants/Bookkeepers		19,500	
Laborers		299,255	
Overtime Pay		16,618	
Data Processing Services		4,301	
Office Supplies		1,421	
Utilities		9,888	
Total Administration			\$ 397,698

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	271,676	
Asphalt - Hot Mix		142,714	
Crushed Stone		202,359	
Explosives and Drilling Supplies		1,056	
Pipe - Metal		10,020	
Wood Products		782	
Other Supplies and Materials		15,252	
Total Highway and Bridge Maintenance			643,859

Operation and Maintenance of Equipment

Diesel Fuel	\$	34,716	
Equipment and Machinery Parts		21,220	
Gasoline		22,004	
Lubricants		2,141	
Tires and Tubes		9,295	
Total Operation and Maintenance of Equipment			89,376

Other Charges

Dues and Memberships	\$	1,552	
Licenses		677	
Trustee's Commission		12,746	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Vehicle and Equipment Insurance	\$	41,498	
Other Charges		<u>8,572</u>	
Total Other Charges	\$		65,045

Employee Benefits

Social Security	\$	29,242	
State Retirement		1,630	
Life Insurance		10,315	
Unemployment Compensation		3,280	
Other Fringe Benefits		5,479	
Workers' Compensation Insurance		<u>33,159</u>	
Total Employee Benefits			83,105

Capital Outlay

Operating Lease Payments	\$	1,962	
Bridge Construction		144,252	
Highway Equipment		84,311	
State Aid Projects		<u>104,488</u>	
Total Capital Outlay			<u>335,013</u>

Total Highway/Public Works Fund \$ 1,614,096

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	271,082	
Principal on Notes		40,000	
Principal on Other Loans Payable		<u>51,000</u>	
Total General Government	\$		362,082

Education

Principal on Other Loans Payable	\$	<u>150,000</u>	
Total Education			150,000

Interest

General Government

Interest on Bonds	\$	340,953	
Interest on Notes		356	
Interest on Other Loans Payable		<u>19,837</u>	
Total General Government			361,146

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Interest (Cont.)

Education

Interest on Other Loans Payable	\$ 233,723	
Total Education		\$ 233,723

Other Debt Service

General Government

Trustee's Commission	\$ 7,299	
Other Debt Service	4,562	
Total General Government		11,861

Education

Other Debt Service	\$ 46,556	
Total Education		46,556

Total General Debt Service Fund \$ 1,165,368

General Capital Projects Fund

Capital Projects

General Administration Projects

Architects	\$ 10,602	
Total General Administration Projects		\$ 10,602

Public Health and Welfare Projects

Engineering Services	\$ 7,729	
Other Contracted Services	9,733	
Other Construction	208,772	
Total Public Health and Welfare Projects		226,234

Education Capital Projects

Contributions	\$ 539,527	
Other Debt Issuance Charges	4,445	
Total Education Capital Projects		543,972

Total General Capital Projects Fund 780,808

Other Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Consultants	\$ 18,196	
Engineering Services	117,732	
Evaluation and Testing	26,691	

(Continued)

Exhibit H-6

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

<u>Other Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Public Health and Welfare Projects (Cont.)</u>		
Other Debt Issuance Charges	\$ 7,105	
Building Construction	4,928,432	
Health Equipment	<u>637,320</u>	
Total Public Health and Welfare Projects		<u>\$ 5,735,476</u>
Total Other Capital Projects Fund		<u>\$ 5,735,476</u>
Total Governmental Funds - Primary Government		<u><u>\$ 13,757,330</u></u>

Hancock County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 129,983
Total Cash Receipts	<u>\$ 129,983</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 128,683
Trustee's Commission	1,300
Total Cash Disbursements	<u>\$ 129,983</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Hancock County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1994	\$ 788
1995	1,617
1996	2,841
1997	2,856
1998	4,860
1999	6,649
2000	10,746
2001	11,832
2002	34,444
2003	38,102
Total	\$ 114,735

Table 2

Hancock County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.74	\$ 0.86	\$ 0.63	\$ 0.60	\$ 0.66	\$ 0.87	\$ 0.87	\$ 0.67	\$ 0.60	0.82
Solid Waste/Sanitation	0.17	0.38	0.38	0.38	0.32	0.18	0.16	0.17	0.24	0.30
General Purpose School	1.23	1.23	1.01	1.04	1.04	1.04	1.04	0.83	0.85	0.85
General Debt Service	0.57	0.24	0.20	0.20	0.20	0.13	0.15	0.10	0.33	0.05
Total Tax Rate	\$ 2.71	\$ 2.71	\$ 2.22	\$ 1.77	\$ 2.02	2.02				
<u>Assessed Valuations</u>										
Real and Personal	\$ 33,541,604	\$ 34,125,097	\$ 43,153,921	\$ 44,501,664	\$ 45,241,195	\$ 45,917,629	\$ 46,849,575	\$ 59,500,105	\$ 59,919,506	\$ 60,543,886
Public Utilities	4,509,688	4,140,926	5,485,098	5,973,546	5,949,706	8,262,979	7,409,258	9,039,419	8,679,070	7,742,320
Total Assessed Valuation	\$ 38,051,292	\$ 38,266,023	\$ 48,639,019	\$ 50,475,210	\$ 51,190,901	\$ 54,180,608	\$ 54,258,833	\$ 68,539,524	\$ 68,598,576	\$ 68,286,206

ANNUAL FINANCIAL REPORT
HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

PHILIP TOBY
DOUG SANDIDGE, CISA
State Auditors

This financial report is available at www.comptroller.state.tn.us

**HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE
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Schedule of Changes in Long-Term Notes	F-1	47
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Audit Highlights

Annual Financial Report
Hancock County School Department
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of the Hancock County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Hancock County School Department's financial statements was unqualified, and our audit resulted in four findings and recommendations, which we have reviewed with management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department did not employ a registered architect nor enter into written contracts with some contractors on various renovation projects.
- ◆ The School Department did not issue receipts for some collections, and issued some receipts after collections were made.
- ◆ Actual fund balances and reserves of the General Purpose School Fund and Central Cafeteria Fund at July 1, 2004, exceeded the estimated fund balances and reserves by material amounts.

OTHER FINDING

- ◆ Officials had not adopted a central system of accounting, budgeting, and purchasing.

State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit

INTRODUCTORY SECTION

Hancock County School Department Officials
June 30, 2005

Officials:

Michael Antrican, Director of Schools

Board of Education:

David Jones, Chairperson
Dennis Holt, Vice Chairperson
Hugh K. Livesay
Larry Mullins

Carl Reed
Jeff Stapleton
James H. Trent

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

August 11, 2005

Hancock County Director of Schools and
Board of Education
Hancock County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department, a component unit of Hancock County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the Hancock County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hancock County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2005, on our consideration of the Hancock County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., the Hancock County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2005. For the first time, the Hancock County School Department has presented government-wide financial statements.

Also, as described in Note V.B., the Hancock County School Department has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosure, which modifies the county's disclosures for custodial credit risk and adds disclosure about other types of risk.

The management of the Hancock County School Department did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 33 through 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock County School Department's basic financial statements. The introductory section, budgetary comparison schedule of the nonmajor governmental fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedule of the nonmajor governmental fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Statement of Net Assets
Hancock County School Department
June 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 6,807
Equity in Pooled Cash and Investments	3,254,161
Accounts Receivable	371
Due from Other Governments	65,635
Property Taxes Receivable	622,054
Allowance for Uncollectible Property Taxes	(43,836)
Prepaid Items	24,768
Capital Assets Not Depreciated:	
Land	408,176
Construction in Progress	368,035
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	12,580,261
Machinery and Equipment	558,764
Total Assets	<u>\$ 17,845,196</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 44,793
Accrued Payroll	2,500
Payroll Deductions Payable	191
Contracts Payable	3,431
Retainage Payable	25,689
Due to Primary Government	4,852
Other Current Liabilities	83,230
Deferred Revenue - Current Year Property Taxes	555,707
Noncurrent Liabilities:	
Due Within One Year	36,125
Due in More than One Year	52,500
Total Liabilities	<u>\$ 809,018</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 13,886,611
Restricted for:	
Other Purposes	985,231
Unrestricted	<u>2,164,336</u>
Total Net Assets	<u>\$ 17,036,178</u>

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

Exhibit B

Hancock County, Tennessee
Statement of Activities
Hancock County School Department
For the Year Ended June 30, 2005

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction	\$ 4,891,696	0	\$ 1,257,401	\$ 539,527	\$ (3,094,768)
Support Services	2,654,697	0	0	0	(2,654,697)
Operation of Non-Instructional Services	571,885	93,355	394,592	0	(83,938)
Debt Service	436,284	0	0	0	(436,284)
Capital Outlay	36,943	0	38,997	0	2,054
Total School Department	\$ 8,591,505	\$ 93,355	\$ 1,690,990	\$ 539,527	\$ (6,267,633)
General Revenues:					
Property Taxes					\$ 582,572
Sales Taxes					173,834
Other Taxes					59,872
Grants and Contributions not restricted to specific programs					5,925,770
Gain on Sale/Disposal of Fixed Asset					2,980
Miscellaneous					16,337
Total General Revenues					\$ 6,761,365
Change in Net Assets					\$ 493,732
Net Assets - July 1, 2004					16,542,446
Net Assets - June 30, 2005					\$ 17,036,178

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

Exhibit C-1

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Hancock County School Department
June 30, 2005

	Major Funds		Nonmajor	Total Govern- mental Funds
	General	School	Fund	
	Purpose School	Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 6,807	\$ 6,807
Equity in Pooled Cash and Investments	3,071,180	75,913	107,068	3,254,161
Accounts Receivable	371	0	0	371
Due from Other Governments	42,500	23,135	0	65,635
Due from Other Funds	8	0	0	8
Property Taxes Receivable	622,054	0	0	622,054
Allowance for Uncollectible Property Taxes	(43,836)	0	0	(43,836)
Prepaid Items	24,768	0	0	24,768
Total Assets	\$ 3,717,045	\$ 99,048	\$ 113,875	\$ 3,929,968
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 44,793	\$ 0	\$ 0	\$ 44,793
Accrued Payroll	2,500	0	0	2,500
Payroll Deductions Payable	191	0	0	191
Contracts Payable	3,431	0	0	3,431
Retainage Payable	25,689	0	0	25,689
Due to Other Funds	0	8	0	8
Due to Primary Government	4,852	0	0	4,852
Other Current Liabilities	83,230	0	0	83,230
Deferred Revenue - Current Property Taxes	555,707	0	0	555,707
Deferred Revenue - Delinquent Property Taxes	21,249	0	0	21,249
Other Deferred Revenues	15,887	0	0	15,887
Total Liabilities	\$ 757,529	\$ 8	\$ 0	\$ 757,537
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 185,085	\$ 1,750	\$ 0	\$ 186,835
Other Local Education Reserves	4,158	0	0	4,158
Reserved for Career Ladder - Extended Contract	11,328	0	0	11,328
Reserved for Career Ladder Program	3,281	0	0	3,281
Reserved for Technology	11,680	0	0	11,680
Reserved for Basic Education Program	746,027	0	0	746,027
Reserved for Title I Grants to Local Education Agencies	0	31,508	0	31,508
Reserved for Special Education - Grants to States	0	65,782	0	65,782
Unreserved, Reported In:				
General Fund	1,997,957	0	0	1,997,957
Special Revenue Funds	0	0	113,875	113,875
Total Fund Balances	\$ 2,959,516	\$ 99,040	\$ 113,875	\$ 3,172,431
Total Liabilities and Fund Balances	\$ 3,717,045	\$ 99,048	\$ 113,875	\$ 3,929,968

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

Exhibit C-2

Hancock County, Tennessee
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Assets
Hancock County School Department
June 30, 2005

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

Fund balances - balance sheet - total governmental funds (Exhibit C-1)		\$	3,172,431
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			13,915,236
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			37,136
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Judgements Payable	\$	60,000	
Notes Payable		<u>28,625</u>	<u>(88,625)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 17,036,178</u>

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

Exhibit C-3

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Hancock County School Department
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 808,417	\$ 0	\$ 0	\$ 808,417
Licenses and Permits	475	0	0	475
Charges for Current Services	0	0	93,355	93,355
Other Local Revenues	25,885	0	4,308	30,193
State of Tennessee	5,710,743	0	19,408	5,730,151
Federal Government	198,474	1,253,246	375,184	1,826,904
Other Governments and Citizens Groups	559,441	0	0	559,441
Total Revenues	<u>\$ 7,303,435</u>	<u>\$ 1,253,246</u>	<u>\$ 492,255</u>	<u>\$ 9,048,936</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 3,802,463	\$ 736,423	\$ 0	\$ 4,538,886
Support Services	2,172,015	436,644	0	2,608,659
Operation of Non-Instructional Services	35,767	0	504,323	540,090
Capital Outlay	644,421	0	0	644,421
Debt Service:				
Principal	50,047	0	0	50,047
Interest	1,953	0	0	1,953
Other Debt Service	430,281	0	0	430,281
Total Expenditures	<u>\$ 7,136,947</u>	<u>\$ 1,173,067</u>	<u>\$ 504,323</u>	<u>\$ 8,814,337</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 166,488	\$ 80,179	\$ (12,068)	\$ 234,599
Net Change in Fund Balances	\$ 166,488	\$ 80,179	\$ (12,068)	\$ 234,599
Fund Balance, July 1, 2004	2,793,028	18,861	125,943	2,937,832
Fund Balance, June 30, 2005	<u>\$ 2,959,516</u>	<u>\$ 99,040</u>	<u>\$ 113,875</u>	<u>\$ 3,172,431</u>

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

Hancock County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities
Hancock County School Department
For the Year Ended June 30, 2005

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)		\$ 234,599
(1) Governmental funds report capital outlay 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 amount that capital outlays differ from depreciation is itemized as follows:		
Add: Capital outlays in the current period	\$ 651,861	
Less: Current year depreciation	<u>(486,576)</u>	165,285
(2) Donated capital assets do not generate current financial resources and are therefore not recognized in the governmental funds. This adjustment reflects capital assets donated during the current period.		38,997
(3) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.		
Less: Proceeds received from disposals of capital assets	\$ (4,992)	
Add: Gain on disposal of capital assets	<u>2,980</u>	(2,012)
(4) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$ (37,820)	
For the year ended June 30, 2005	<u>37,136</u>	(684)
(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 judgements payable	\$ 7,500	
Change in notes payable	<u>50,047</u>	<u>57,547</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 493,732</u>

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

**HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF
HANCOCK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hancock County School Department'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 the School Department:

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Hancock County elect its seven-member board. The School Department is a component unit of Hancock County. The School Department is fiscally dependent on Hancock County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Hancock County Commission's approval. The School Department's taxes are levied under the taxing authority of Hancock County and are included as part of Hancock County's total tax levy.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

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.

Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 the School Department 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, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental categories. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

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 School Department 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. The School Department considers grant 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 fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of-tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines,

forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund type:

Special Revenue Fund – This fund, the Central Cafeteria Fund, is used to account for the cafeteria operations on the individual schools.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes, the State Treasurer's Investment Pool; and repurchase agreements.

The Hancock County trustee maintains a cash and internal investment pool that is used by all funds of Hancock County, the primary government, and the School Department. Each fund's portion of this pool is displayed on its balance sheet as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Hancock County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when

purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. 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. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. 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 treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections or that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.36 percent of the total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. During the year, the School Department wrote off deferred revenues totaling \$36,719. The deferred amount written off resulted from prior periods anticipated revenues that never materialized.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue 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 with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

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

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding three 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, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Machinery and Equipment	5-12

5. Compensated Absences

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

6. Long-term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

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

7. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2005, Hancock County, had \$12,093,972 in outstanding debt for capital purposes of the Hancock County School Department.

The debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 assets

Exhibit C-2 in the basic financial statements includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the Governmental Funds Balance Sheet (Exhibit C-1) to net assets reported in the governmental activities column of the Statement of Net Assets (Exhibit A).

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

Exhibit C-4 in the basic financial statements includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances – governmental funds (Exhibit C-3) to changes in net assets reported in the governmental activities column of the Statement of Activities (Exhibit B).

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Actual Fund Balance Exceeded Estimated Beginning Fund Balance by a Material Amount

The actual fund balance in the General Purpose School Fund was \$2,653,155 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$1,145,666. Likewise the actual fund balance in the Central Cafeteria Fund was \$125,943 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$68,537.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hancock County and the Hancock County School Department participate in an internal cash and investment pool through the Office of Trustee. The

county trustee is the treasurer of Hancock 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 its balance sheet or statement of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statement of net assets 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The School Department had no pooled and nonpooled investments as of June 30, 2005.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 408,176	\$ 0	\$ 0	\$ 408,176
Construction in Progress	256,066	662,152	550,183	368,035
Total Capital Assets, Not Depreciated	<u>\$ 664,242</u>	<u>\$ 662,152</u>	<u>\$ 550,183</u>	<u>\$ 776,211</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,890,888	\$ 550,183	\$ 0	\$ 14,441,071
Machinery and Equipment	987,275	28,706	7,900	1,008,081
Total Capital Assets Depreciated	<u>\$ 14,878,163</u>	<u>\$ 578,889</u>	<u>\$ 7,900</u>	<u>\$ 15,449,152</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,497,594	\$ 363,216	\$ 0	\$ 1,860,810
Machinery and and Equipment	331,845	123,360	5,888	449,317
Total Accumulated Depreciation	<u>\$ 1,829,439</u>	<u>\$ 486,576</u>	<u>\$ 5,888</u>	<u>\$ 2,310,127</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,048,724</u>	<u>\$ 92,313</u>	<u>\$ 2,012</u>	<u>\$ 13,139,025</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 13,712,966</u></u>	<u><u>\$ 754,465</u></u>	<u><u>\$ 552,195</u></u>	<u><u>\$ 13,915,236</u></u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 363,216
Support Services	75,888
Operation of Non-Instructional Services	47,472
Total Depreciation Expense - Governmental Activities	<u><u>\$ 486,576</u></u>

C. Construction Commitments

At June 30, 2005, the School Department had uncompleted construction projects of approximately \$185,085 for the renovation of the old high school

and additions to the new high school. Funding for these future expenditures has been provided for through other loans payable issued by Hancock County.

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	School Federal Projects	\$ 8

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 units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary Government: General Debt Service Fund	Component Unit: General Purpose School Fund	\$ 2,727
General Fund	General Purpose School Fund	2,125
Total		<u>\$ 4,852</u>

E. Other Current Liabilities

The Other Current Liabilities reflected in the General Purpose School Fund represents the remaining balance in the teacher’s insurance account.

Retainage payable in the General Purpose School Fund represents amounts withheld from payments to contractors on construction projects to ensure contract performance. The county trustee holds these amounts as Equity in Pooled Cash and Investments.

F. Long-term Debt

General Obligation Notes

The School Department issued a capital outlay note to fund the purchase of buses. The capital outlay note is a direct obligation and pledges the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of three years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The capital outlay note

outstanding at June 30, 2005, will be retired from the General Purpose School Fund.

The capital outlay note outstanding as of June 30, 2005, is as follows:

Purpose	Interest Rate	Amount
Capital Outlay Note	2.75%	\$ 28,625

The annual requirements to amortize the note outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Notes		Total
	Principal	Interest	
2006	\$ 28,625	\$ 787	\$ 29,412
Total	\$ 28,625	\$ 787	\$ 29,412

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Notes	Claims and Judgments Payable
Balance, July 1, 2004	\$ 78,672	\$ 67,500
Additions	0	0
Deductions	50,047	7,500
Balance, June 30, 2005	\$ 28,625	60,000
Balance Due Within One Year	\$ 28,625	7,500

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 88,625
Less: Balance Due Within One Year	36,125
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	\$ 52,500

A judgment was assessed against the Hancock County School Department in the amount of \$75,000 related to a lawsuit filed by an employee for a work related injury. The judgment is to be paid over a ten year period with interest

of six percent. The remaining balance of the claims and judgments payable outstanding at June 30, 2005 ,will be retired from the General Purpose School Fund.

G. Commitments

The School Board has pledged by resolution \$541,000 per year of the nonclassroom state Basic Education Program funding for the next 22 years to the primary government's General Debt Service Fund to provide funds for the retirement of debt issued for school purposes.

H. Other Restricted Net Assets and Reserved Fund Balances

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes consists of various restrictions totaling \$985,231. This is comprised of restrictions of nonclassroom funds totaling \$746,027 and of restrictions for various federal assistance programs, primarily the School Breakfast and Lunch Programs totaling \$113,875.

The Other Local Education Reserve reflected in the General Purpose School Fund consists of amounts required to be expended for various grants and programs.

V. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, health, and accident. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The Robertson County School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums. However, the School Department did not maintain workers' compensation coverage prior to July 1, 2005. The School Department also participates in the Tennessee State Insurance System public entity risk pools as opposed to purchasing commercial health insurance for these risks. The department pays monthly or annual premiums for its insurance coverage. This pool is to be self-sustaining through member premiums.

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34,

Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department’s previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Event

Effective July 1, 2005, the School Department obtained workers’ compensation insurance.

D. Contingent Liabilities

There are several pending lawsuits in which the School Department is involved. Based on a letter from the School Department’s attorneys, management believes that any claims resulting from such litigation would not materially affect the School Department’s financial statements.

E. Jointly Governed Organizations

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Hancock County, Bristol City, Carter County, Coker County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated and was established to provide the First Tennessee Virginia Development District with educational programs and services of higher quality, greater scope, and greater accessibility. The cooperative is governed by a board of control, consisting of one board member and the director of schools from each of the systems. The executive committee consists of the chairman and vice chairman of the board of control and the member directors of schools. Funding for the cooperative is provided through state grants and member schools’ contributions.

F. Retirement Commitments

Plan Description

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

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

Since the Hancock County School Department participates in Hancock County's plan, retirement information for the Hancock County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. H. of the Annual Financial Report of Hancock County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Hancock County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hancock County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hancock County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$232,789, \$132,613, and \$125,432, respectively, equal to the required contributions for each year.

G. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provide for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to reach or exceed \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hancock County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 808,417	\$ 0	\$ 0	\$ 808,417	\$ 798,000	\$ 798,000	\$ 10,417
Licenses and Permits	475	0	0	475	600	600	(125)
Other Local Revenues	25,885	0	0	25,885	24,784	14,217	11,668
State of Tennessee	5,710,743	0	0	5,710,743	5,625,136	5,683,273	27,470
Federal Government	198,474	0	0	198,474	198,758	209,876	(11,402)
Other Governments and Citizens Groups	559,441	0	0	559,441	0	15,000	544,441
Total Revenues	\$ 7,303,435	\$ 0	\$ 0	\$ 7,303,435	\$ 6,647,278	\$ 6,720,966	\$ 582,469
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 2,907,618	\$ 0	\$ 0	\$ 2,907,618	\$ 2,911,355	\$ 2,961,604	\$ 53,986
Special Education Program	554,633	0	0	554,633	563,590	563,590	8,957
Vocational Education Program	336,272	0	0	336,272	352,474	352,574	16,302
Student Body Education Program	2,125	0	0	2,125	0	2,125	0
Adult Education Program	1,815	0	0	1,815	4,213	4,213	2,398
<u>Support Services</u>							
Health Services	3,260	0	0	3,260	33,500	33,500	30,240
Other Student Support	169,989	0	0	169,989	170,173	170,145	156
Regular Instruction Program	294,163	0	0	294,163	298,308	307,607	13,444
Special Education Program	68,413	0	0	68,413	67,361	68,798	385
Vocational Education Program	61,577	0	0	61,577	60,890	61,625	48
Adult Programs	76,291	0	0	76,291	76,545	77,572	1,281
Board of Education	148,942	0	0	148,942	186,831	192,508	43,566
Director of Schools	106,597	0	0	106,597	110,067	107,774	1,177
Office of the Principal	269,075	0	0	269,075	268,289	269,833	758
Fiscal Services	67,328	0	0	67,328	59,605	65,409	(1,919)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 363,981	\$ 0	\$ 0	\$ 363,981	\$ 478,790	\$ 472,103	\$ 108,122
Maintenance of Plant	49,901	0	0	49,901	91,535	76,560	26,659
Transportation	362,498	0	0	362,498	390,858	419,159	56,661
Central and Other	130,000	0	0	130,000	130,000	130,000	0
<u>Operation of Non-Instructional Services</u>							
Community Services	35,767	0	0	35,767	33,300	41,266	5,499
<u>Capital Outlay</u>							
Regular Capital Outlay	644,421	(139,873)	185,085	689,633	802,859	884,759	195,126
<u>Principal</u>							
Education	50,047	0	0	50,047	62,908	60,578	10,531
<u>Interest</u>							
Education	1,953	0	0	1,953	0	2,330	377
<u>Other Debt Service</u>							
Education	430,281	0	0	430,281	541,000	541,000	110,719
Total Expenditures	\$ 7,136,947	\$ (139,873)	\$ 185,085	\$ 7,182,159	\$ 7,694,451	\$ 7,866,632	\$ 684,473
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 166,488	\$ 139,873	\$ (185,085)	\$ 121,276	\$ (1,047,173)	\$ (1,145,666)	\$ 1,266,942
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ 2,793,028	(139,873)	0	2,653,155	1,047,173	1,145,666	1,507,489
Fund Balance, June 30, 2005							
	\$ 2,959,516	\$ 0	\$ (185,085)	\$ 2,774,431	\$ 0	\$ 0	\$ 2,774,431

Exhibit D-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hancock County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,253,246	\$ 0	\$ 1,253,246	\$ 1,222,454	\$ 1,267,274	\$ (14,028)
Total Revenues	\$ 1,253,246	\$ 0	\$ 1,253,246	\$ 1,222,454	\$ 1,267,274	\$ (14,028)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 498,047	\$ 0	\$ 498,047	\$ 448,135	\$ 511,289	\$ 13,242
Special Education Program	200,951	0	200,951	257,508	289,702	88,751
Vocational Education Program	37,425	0	37,425	36,443	37,426	1
<u>Support Services</u>						
Other Student Support	22,467	0	22,467	30,672	29,768	7,301
Regular Instruction Program	243,651	1,750	245,401	273,540	251,927	6,526
Special Education Program	2,738	0	2,738	13,920	13,920	11,182
Vocational Education Program	522	0	522	600	522	0
Transportation	12,265	0	12,265	25,453	25,453	13,188
Central and Other	155,001	0	155,001	155,000	155,001	0
Total Expenditures	\$ 1,173,067	\$ 1,750	\$ 1,174,817	\$ 1,241,271	\$ 1,315,008	\$ 140,191
Excess (Deficiency) of Revenues Over Expenditures	\$ 80,179	\$ (1,750)	\$ 78,429	\$ (18,817)	\$ (47,734)	\$ 126,163
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 33,492	\$ 0	\$ 0
Transfers Out	0	0	0	(33,492)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit D-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hancock County School Department
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 80,179	\$ (1,750)	\$ 78,429	\$ (18,817)	\$ (47,734)	\$ 126,163
Fund Balance, July 1, 2004	18,861	0	18,861	18,817	47,734	(28,873)
Fund Balance, June 30, 2005	\$ 99,040	\$ (1,750)	\$ 97,290	\$ 0	\$ 0	\$ 97,290

**HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

A. BUDGETARY INFORMATION

The School Department is required by state statute to adopt annual budgets for all governmental funds. 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 State 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 Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Student Body Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Hancock County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of the budgetary statements.

B. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT

The actual fund balance in the General Purpose School Fund was \$2,653,155 at July 1, 2004; however, the estimated fund balance reflected in the county's budget document was \$1,145,666.

**INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Fund

Special Revenue Fund

The Central Cafeteria Fund is used to account for the cafeteria operations in each school. The primary sources of funding are federal revenues for the school lunch program and sales to students and adults.

Exhibit E-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hancock County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 93,355	\$ 88,000	\$ 88,000	\$ 5,355
Other Local Revenues	4,308	3,000	3,000	1,308
State of Tennessee	19,408	6,500	6,500	12,908
Federal Government	375,184	342,300	342,300	32,884
Total Revenues	<u>\$ 492,255</u>	<u>\$ 439,800</u>	<u>\$ 439,800</u>	<u>\$ 52,455</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 504,323	\$ 466,337	\$ 508,337	\$ 4,014
Total Expenditures	<u>\$ 504,323</u>	<u>\$ 466,337</u>	<u>\$ 508,337</u>	<u>\$ 4,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (12,068)</u>	<u>\$ (26,537)</u>	<u>\$ (68,537)</u>	<u>\$ 56,469</u>
Net Change in Fund Balance	\$ (12,068)	\$ (26,537)	\$ (68,537)	\$ 56,469
Fund Balance, July 1, 2004	125,943	26,537	68,537	57,406
Fund Balance, June 30, 2005	<u>\$ 113,875</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 113,875</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Hancock County, Tennessee
Schedule of Changes in Long-Term Notes
Hancock County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/04	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/05
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Capital Outlay (Buses)	\$ 117,000	2.75 %	8/4/03	6/30/06	\$ 78,672	\$ 0	\$ 50,047	\$ 28,625
Total Payable through General Purpose School Fund					\$ 78,672	\$ 0	\$ 50,047	\$ 28,625
Total Notes Payable					\$ 78,672	\$ 0	\$ 50,047	\$ 28,625

Exhibit F-2

Hancock County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Hancock County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Hancock County Board of Education	\$ 74,038 (1)	\$ 100,000	Western Surety Company
Employee Blanket Bonds - School Department Employees Public Employee Dishonesty			150,000	Tennessee School Board Liability Trust

(1) Includes chief executive officer's training supplement of \$1,000 and one time local bonus of \$1,466.

Exhibit F-3

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Hancock County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 525,068	\$ 0	\$ 0	\$ 525,068
Trustee's Collections - Prior Year	16,850	0	0	16,850
Circuit/Clerk & Master Collections - Prior Years	29,703	0	0	29,703
Interest and Penalty	2,999	0	0	2,999
Payments in Lieu of Taxes - T.V.A.	14	0	0	14
<u>County Local Option Taxes</u>				
Local Option Sales Tax	173,834	0	0	173,834
Wheel Tax	54,644	0	0	54,644
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	4,192	0	0	4,192
Interstate Telecommunications Tax	1,113	0	0	1,113
Total Local Taxes	\$ 808,417	\$ 0	\$ 0	\$ 808,417
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 475	\$ 0	\$ 0	\$ 475
Total Licenses and Permits	\$ 475	\$ 0	\$ 0	\$ 475
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 93,355	\$ 93,355
Total Charges for Current Services	\$ 0	\$ 0	\$ 93,355	\$ 93,355
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 4,308	\$ 4,308
Miscellaneous Refunds	7,633	0	0	7,633
<u>Nonrecurring Items</u>				
Insurance Recovery	3,285	0	0	3,285
Sale of Equipment	4,992	0	0	4,992
Damages Recovered from Individuals	1,111	0	0	1,111
Contributions & Gifts	8,864	0	0	8,864
Total Other Local Revenues	\$ 25,885	\$ 0	\$ 4,308	\$ 30,193
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 5,312,600	\$ 0	\$ 0	\$ 5,312,600
School Food Service	0	0	19,408	19,408
Driver Education	4,895	0	0	4,895
Other State Education Funds	235,165	0	0	235,165
Career Ladder Program	106,148	0	0	106,148
Career Ladder - Extended Contract	51,107	0	0	51,107
<u>Other State Revenues</u>				
Income Tax	828	0	0	828
Total State of Tennessee	\$ 5,710,743	\$ 0	\$ 19,408	\$ 5,730,151
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 268,798	\$ 268,798

(Continued)

Exhibit F-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government (Cont.)</u>				
<u>Federal Through State (Cont.)</u>				
Breakfast	\$ 0	\$ 0	\$ 97,563	\$ 97,563
USDA - Other	0	0	8,823	8,823
Adult Education State Grant Program	45,794	0	0	45,794
Vocational Education - Basic Grants to States	0	38,943	0	38,943
Title I Grants to Local Education Agencies	0	560,123	0	560,123
Innovative Education Program Strategies	0	43,090	0	43,090
Special Education - Grants to States	0	297,316	0	297,316
Special Education Preschool Grants	0	8,072	0	8,072
Eisenhower Professional Development State Grants	0	125,689	0	125,689
Other Federal through State	152,680	180,013	0	332,693
Total Federal Government	\$ 198,474	\$ 1,253,246	\$ 375,184	\$ 1,826,904
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 539,527	\$ 0	\$ 0	\$ 539,527
<u>Other</u>				
Other	19,914	0	0	19,914
Total Other Governments and Citizens Groups	\$ 559,441	\$ 0	\$ 0	\$ 559,441
Total	\$ 7,303,435	\$ 1,253,246	\$ 492,255	\$ 9,048,936

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Hancock County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,116,705	
Career Ladder Program		58,000	
Career Ladder Extended Contracts		50,600	
Other Salaries & Wages		150,499	
Certified Substitute Teachers		23,335	
Social Security		140,151	
State Retirement		124,847	
Medical Insurance		107,141	
Unemployment Compensation		10,050	
Employer Medicare		32,777	
Instructional Supplies and Materials		3,463	
Textbooks		81,301	
Other Supplies and Materials		25	
Other Charges		7,021	
Regular Instruction Equipment		1,703	
Total Regular Instruction Program			\$ 2,907,618

Special Education Program

Teachers	\$	424,215	
Career Ladder Program		9,500	
Educational Assistants		26,831	
Certified Substitute Teachers		2,704	
Social Security		27,283	
State Retirement		23,854	
Medical Insurance		24,124	
Unemployment Compensation		2,263	
Employer Medicare		6,381	
Textbooks		450	
Special Education Equipment		7,028	
Total Special Education Program			554,633

Vocational Education Program

Teachers	\$	252,777
Career Ladder Program		5,000
Certified Substitute Teachers		2,194
Social Security		15,270
State Retirement		14,168
Medical Insurance		10,143
Unemployment Compensation		1,093

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Employer Medicare	\$	3,571	
Instructional Supplies and Materials		98	
T&I Construction Materials		29,038	
Other Charges		2,920	
Total Vocational Education Program			\$ 336,272

Student Body Education Program

Other Charges	\$	2,125	
Total Student Body Education Program			2,125

Adult Education Program

Teachers	\$	1,350	
Social Security		84	
State Retirement		62	
Unemployment Compensation		5	
Employer Medicare		20	
Other Supplies and Materials		294	
Total Adult Education Program			1,815

Support Services

Health Services

Other Contracted Services	\$	3,260	
Total Health Services			3,260

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		87,828	
School Resource Officer		21,175	
Other Salaries & Wages		37,022	
Social Security		8,751	
State Retirement		4,941	
Medical Insurance		5,071	
Unemployment Compensation		1,155	
Employer Medicare		2,046	
Total Other Student Support			169,989

Regular Instruction Program

Supervisor/Director	\$	54,214	
Career Ladder Program		9,000	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Librarians	\$	36,075	
Materials Supervisor		39,682	
Instructional Computer Personnel		30,915	
Other Salaries & Wages		50,465	
Social Security		13,052	
State Retirement		7,643	
Medical Insurance		7,138	
Unemployment Compensation		1,782	
Employer Medicare		3,060	
Travel		1,154	
Library Books/Media		1,331	
Periodicals		1,090	
Other Supplies and Materials		9,927	
In Service/Staff Development		441	
Other Charges		14,600	
Other Equipment		12,594	
Total Regular Instruction Program			\$ 294,163

Special Education Program

Supervisor/Director	\$	53,214	
Career Ladder Program		3,000	
Social Security		3,101	
State Retirement		3,092	
Medical Insurance		5,071	
Unemployment Compensation		160	
Employer Medicare		725	
In Service/Staff Development		50	
Total Special Education Program			68,413

Vocational Education Program

Supervisor/Director	\$	50,390	
Career Ladder Program		1,000	
Social Security		3,030	
State Retirement		2,826	
Medical Insurance		2,067	
Unemployment Compensation		160	
Employer Medicare		709	
Travel		1,395	
Total Vocational Education Program			61,577

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	53,214	
Career Ladder Program		1,000	
Other Salaries & Wages		10,656	
Social Security		4,022	
State Retirement		2,982	
Unemployment Compensation		308	
Employer Medicare		941	
In Service/Staff Development		3,168	
Total Adult Programs			\$ 76,291

Board of Education

Board and Committee Members Fees	\$	11,150	
Social Security		465	
Unemployment Compensation		171	
Employer Medicare		109	
Audit Services		3,250	
Dues and Memberships		8,127	
Legal Services		4,024	
Travel		12,231	
Judgments		11,550	
Liability Insurance		46,841	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		26,613	
Other Charges		24,061	
Total Board of Education			148,942

Director of Schools

County Official/Administrative Officer	\$	74,038	
Social Security		4,116	
State Retirement		3,993	
Medical Insurance		5,071	
Unemployment Compensation		160	
Employer Medicare		963	
Other Fringe Benefits		1,362	
Communication		13,886	
Postal Charges		195	
Travel		2,127	
Other Charges		686	
Total Director of Schools			106,597

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	110,684	
Career Ladder Program		3,000	
Assistant Principals		91,169	
Secretary(s)		28,860	
Other Salaries & Wages		466	
Social Security		14,058	
State Retirement		11,293	
Medical Insurance		5,071	
Unemployment Compensation		1,094	
Employer Medicare		3,288	
Travel		92	
Total Office of the Principal		<u> </u>	\$ 269,075

Fiscal Services

Accountants/Bookkeepers	\$	49,698	
Social Security		3,076	
Unemployment Compensation		281	
Employer Medicare		719	
Travel		453	
Other Contracted Services		4,942	
Office Supplies		2,058	
Other Supplies and Materials		2,360	
Administration Equipment		3,741	
Total Fiscal Services		<u> </u>	67,328

Operation of Plant

Custodial Personnel	\$	89,686	
Social Security		5,755	
Unemployment Compensation		1,386	
Employer Medicare		1,346	
Maintenance & Repair Services- Equipment		3,413	
Disposal Fees		3,072	
Other Contracted Services		3,209	
Custodial Supplies		9,927	
Electricity		222,432	
Natural Gas		5,983	
Water and Sewer		17,772	
Total Operation of Plant		<u> </u>	363,981

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	14,000	
Social Security		868	
Unemployment Compensation		148	
Employer Medicare		203	
Maintenance & Repair Services- Buildings		17,105	
Maintenance & Repair Services- Equipment		13,302	
Other Contracted Services		3,200	
Other Supplies and Materials		124	
Maintenance Equipment		951	
Total Maintenance of Plant			\$ 49,901

Transportation

Supervisor/Director	\$	19,500	
Mechanic(s)		8,329	
Bus Drivers		149,268	
Other Salaries & Wages		10,683	
Social Security		11,649	
State Retirement		588	
Medical Insurance		1,135	
Unemployment Compensation		2,636	
Employer Medicare		2,657	
Maintenance & Repair Services- Vehicles		49,064	
Travel		60	
Diesel Fuel		38,431	
Gasoline		20,164	
Tires and Tubes		7,216	
Other Charges		1,868	
Transportation Equipment		39,250	
Total Transportation			362,498

Central and Other

Other Salaries & Wages	\$	112,084	
Social Security		6,791	
State Retirement		3,971	
Medical Insurance		1,732	
Unemployment Compensation		660	
Employer Medicare		1,588	
Other Supplies and Materials		2,333	
In Service/Staff Development		841	
Total Central and Other			130,000

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	28,343	
Social Security		1,648	
State Retirement		1,181	
Medical Insurance		1,220	
Unemployment Compensation		313	
Employer Medicare		385	
Other Contracted Services		2,299	
In Service/Staff Development		378	
Total Community Services			\$ 35,767

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	21,154	
Building Construction		313,588	
Building Improvements		278,562	
Other Capital Outlay		31,117	
Total Regular Capital Outlay			644,421

Principal

Education

Principal on Notes	\$	50,047	
Total Education			50,047

Interest

Education

Interest on Notes	\$	1,953	
Total Education			1,953

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	430,281	
Total Education			430,281

Total General Purpose School Fund \$ 7,136,947

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	319,045	
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(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Educational Assistants	\$	27,901	
Other Salaries & Wages		17,917	
Certified Substitute Teachers		3,353	
Social Security		22,682	
State Retirement		17,547	
Medical Insurance		2,067	
Unemployment Compensation		1,889	
Employer Medicare		5,305	
Instructional Supplies and Materials		5,549	
Other Supplies and Materials		4,820	
In Service/Staff Development		22,329	
Regular Instruction Equipment		47,643	
Total Regular Instruction Program			\$ 498,047

Special Education Program

Educational Assistants	\$	146,909	
Social Security		9,086	
Unemployment Compensation		2,288	
Employer Medicare		2,125	
Other Contracted Services		32,392	
Instructional Supplies and Materials		1,033	
Other Supplies and Materials		4,799	
Special Education Equipment		2,319	
Total Special Education Program			200,951

Vocational Education Program

Educational Assistants	\$	12,450	
Social Security		757	
Unemployment Compensation		218	
Employer Medicare		177	
Instructional Supplies and Materials		3,120	
Other Charges		1,116	
Vocational Instruction Equipment		19,587	
Total Vocational Education Program			37,425

Support Services

Other Student Support

Evaluation and Testing	\$	907	
Maintenance & Repair Services- Equipment		4,000	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	5,603	
Other Contracted Services		8,575	
Other Supplies and Materials		2,746	
In Service/Staff Development		36	
Other Charges		600	
Total Other Student Support			\$ 22,467

Regular Instruction Program

Supervisor/Director	\$	42,731	
Secretary(s)		16,800	
Clerical Personnel		13,520	
Other Salaries & Wages		57,394	
Social Security		7,939	
State Retirement		5,497	
Medical Insurance		1,681	
Unemployment Compensation		485	
Employer Medicare		1,857	
Maintenance & Repair Services- Equipment		1,400	
Travel		318	
Library Books/Media		6,022	
Other Supplies and Materials		1,681	
In Service/Staff Development		52,834	
Other Equipment		33,492	
Total Regular Instruction Program			243,651

Special Education Program

Maintenance & Repair Services- Equipment	\$	1,790	
In Service/Staff Development		948	
Total Special Education Program			2,738

Vocational Education Program

Travel	\$	522	
Total Vocational Education Program			522

Transportation

Bus Drivers	\$	7,491	
Social Security		464	
Unemployment Compensation		133	
Employer Medicare		109	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Maintenance & Repair Services- Vehicles	\$	2,268	
Gasoline		<u>1,800</u>	
Total Transportation			\$ 12,265

Central and Other

Supervisor/Director	\$	35,310	
Other Salaries & Wages		97,952	
Social Security		8,174	
State Retirement		2,789	
Medical Insurance		847	
Unemployment Compensation		1,155	
Employer Medicare		1,912	
Maintenance & Repair Services- Equipment		490	
Other Contracted Services		3,000	
Other Supplies and Materials		1,832	
In Service/Staff Development		<u>1,540</u>	
Total Central and Other			<u>155,001</u>

Total School Federal Projects Fund \$ 1,173,067

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	45,126	
Cafeteria Personnel		121,723	
Other Salaries & Wages		1,380	
Social Security		10,384	
State Retirement		2,482	
Unemployment Compensation		1,799	
Employer Medicare		2,429	
Maintenance & Repair Services- Equipment		2,851	
Travel		1,278	
Other Contracted Services		6,655	
Food Supplies		287,625	
Other Supplies and Materials		3,979	
In Service/Staff Development		935	
Other Charges		<u>15,677</u>	
Total Food Service			<u>\$ 504,323</u>

Total Central Cafeteria Fund 504,323

Total Governmental Funds - Hancock County School Department \$ 8,814,337

SINGLE AUDIT REPORT
HANCOCK COUNTY, TENNESSEE
AND
HANCOCK COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

LESLIE LANDRETH
PHILIP TOBY
DOUG SANDIDGE, CISA
State Auditors

This report is available at www.comptroller.state.tn.us

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

August 11, 2005

Hancock County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Hancock County, Tennessee

To the County Mayor, Board of County Commissioners, Director of Schools, and
Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Hancock County's and the Hancock County School Department's basic financial statements and have issued our reports thereon dated August 11, 2005. Our report on the financial statements of Hancock County expressed an adverse opinion because the government-wide financial statements were not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hancock County School Department was unqualified. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's and the Hancock County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted

certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hancock County's and the Hancock County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03(A), 05.04, 05.05, 05.06(B), 05.07(B), 05.08, 05.10, 05.12, and 05.13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.04, 05.05, and 05.08 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's and the Hancock County School Department's statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03(B), 05.06(A), 05.07(A), 05.09, and 05.11.

We also noted certain matters that we reported to the management of Hancock County and the Hancock County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 11, 2005

Hancock County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Hancock County, Tennessee

To the County Mayor, Board of County Commissioners, Director of Schools, and
Board of Education:

Compliance

We have audited the compliance of Hancock County and the Hancock County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Hancock County's and Hancock County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hancock County's and the Hancock County School Department's management. Our responsibility is to express an opinion on Hancock County's and the Hancock County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County's and the Hancock County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hancock County's and the Hancock County School Department's compliance with those requirements.

In our opinion, Hancock County and the Hancock County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Hancock County and the Hancock County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hancock County's and the Hancock County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Hancock County's and the Hancock County School Department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.04 and 05.14.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.04 and 05.14 to be material weaknesses.

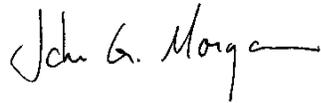
Schedule of Federal Awards

We have audited the financial statements of the each major fund and the aggregate remaining fund information of Hancock County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock

County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 11, 2005. Our report on the financial statements of Hancock County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hancock County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

Hancock County, Tennessee, and the Hancock County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 34,444
Total Passed-through State Department of Agriculture			<u>\$ 34,444</u>
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 97,563
National School Lunch Program	10.555	N/A	\$ 277,621
Total Passed-through State Department of Education			<u>\$ 375,184</u>
Passed-through Clinch-Powell Enterprises Community:			
Empowerment Zones Program	10.772	EC-2004-55EA	\$ 5,000
Total Passed-through Clinch-Powell Enterprises Community			<u>\$ 5,000</u>
Total U.S. Department of Agriculture			<u>\$ 414,628</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-02-17	\$ 168,064
Total Passed-through State Housing Development Agency			<u>\$ 168,064</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 168,064</u>
U.S. Department of Justice:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	16.007	Z-03-017755-00	\$ 10,103
Total Passed-through State Department of the Military			<u>\$ 10,103</u>
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	GG-05-1114-00	\$ 72,290
Total Passed-through State Commission on Children and Youth			<u>\$ 72,290</u>
Total U.S. Department of Justice			<u>\$ 82,393</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	Z-05-023766-00/ GG-05-11723-00	\$ 113,412
Total Passed-through State Department of Transportation			<u>\$ 113,412</u>
Total U.S. Department of Transportation			<u>\$ 113,412</u>
Appalachian Regional Commission:			
Direct Program:			
Appalachian Regional Development	23.001	N/A	\$ 337,194
Total Direct Program			<u>\$ 337,194</u>
Total Appalachian Regional Commission			<u>\$ 337,194</u>
Federal Emergency Management Agency:			
Passed-through State Department of the Military:			
Public Assistance Grants	83.544	Z-03-015837-00	\$ 10,233
Total Passed-through State Department of the Military			<u>\$ 10,233</u>
Total Federal Emergency Management Agency			<u>\$ 10,233</u>

(Cont.)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-05-016671-00	\$ 45,793
Title I Grants to Local Educational Agencies	84.010	N/A	539,021
Special Education - Grants to States	84.027	N/A	244,751
Vocational Education - Basic Grants to States	84.048	N/A	38,943
Special Education - Preschool Grants	84.173	N/A	11,338
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	13,961
Even Start - State Educational Agencies	84.213	(2)	155,000
State Grants for Innovative Programs	84.298	N/A	61,843
Education Technology State Grants	84.318	(2)	14,046
School Renovation	84.352	N/A	145,555
Rural Education Achievement Program	84.358	N/A	37,068
Improving Teacher Quality State Grants	84.367	N/A	60,971
Total Passed-through State Department of Education			\$ 1,368,290
Total U.S. Department of Education			\$ 1,368,290
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	GG-05-11503-00	\$ 18,768
Total Passed-through State Department of Health			\$ 18,768
Total U.S. Department of Health and Human Services			\$ 18,768
Department of Homeland Security			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020100-00/ Z-04-022448-00	\$ 40,577
Total Passed-through State Department of the Military			\$ 40,577
Total Department of Homeland Security			\$ 40,577
Total Expenditures of Federal Awards			\$ 2,553,559
<u>State Grants</u>			
Juvenile Services Officers Grant - State Children's Services Commission	N/A	N/A	\$ 9,000
Litter Program - State Department of Transportation	N/A	N/A	31,732
Waste Tire Grant - State Department of Transportation	N/A	N/A	3,082
Adult Basic Education - State Department of Education	N/A	N/A	13,200
Family Resource Grant - State Department of Education	N/A	Z-05-021390-00	33,300
Early Childhood Grant - State Department of Education	N/A	Z-05-022121-00	130,000
Safe Schools Act Grant - State Department of Education	N/A	N/A	6,982
Local Health Services - State Department of Health Services	N/A	Z-05-020531-01	41,769
State Reappraisal Grant - Comptroller of the Treasury	N/A	N/A	2,596
Solid Waste Grant - State Department of Environment and Conservation	N/A	N/A	122,220
Total State Grants			\$ 393,881

(Cont.)

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

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) - Presented in conformity with generally accepted accounting principles prepared on the modified accrual basis of accounting.
- (2) - Pass-through entity identifying number not available.

Hancock County, Tennessee, and the Hancock County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, and the Hancock County School Department for the year ended June 30, 2004, which have not been corrected.

HANCOCK COUNTY PRIMARY GOVERNMENT

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
04.02	13	A formal purchase order system had not been established
04.03	13	Deficiencies were noted in Hancock County's bid procurement procedures

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
04.05	15	Unidentified amounts from the former circuit and general sessions courts clerk were not remitted to the state as unclaimed property

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.06	15	A central system of accounting, budgeting, and purchasing was not adopted
04.07	16	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

**HANCOCK COUNTY, TENNESSEE, AND THE
HANCOCK COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Hancock County, and an unqualified opinion was issued on the financial statements of the Hancock County School Department.
2. The audit of the financial statements of Hancock County and the Hancock County School Department disclosed reportable conditions in internal control. Three of these conditions were also considered to be material weaknesses, two in Hancock County and one in the Hancock County School Department.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Hancock County.
4. The audit disclosed one reportable condition in internal control over major programs. This condition was also considered to be a material weakness.
5. An unqualified opinion was issued on compliance for major programs.
6. Our audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); Appalachian Regional Development (CFDA No. 23.001); Title I Grants to Local Education Agencies (CFDA No. 84.010); and the School Renovation Grant (CFDA No. 84.352) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Hancock County and the Hancock County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. A written response from the county mayor is included in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

HANCOCK COUNTY

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Hancock County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Hancock County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Hancock County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Hancock County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Hancock County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document historical cost of the county’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 05.02 **A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Mayor’s Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 05.03 **THE OFFICE HAD PURCHASING DEFICIENCIES**
(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Material Noncompliance Under Government Auditing Standards)

We noted the following purchasing deficiencies:

- A. Hancock County had not developed procedures to ensure that bids were solicited for all required purchases. Likewise, procedures had not been developed to ensure that bids received and awarded were forwarded to the County Mayor’s Office to support payment of the invoices. Also, bid tabulation forms were not used, and there were no standard procedures of awarding bids. Currently, bids are solicited and awarded by the various department heads and officials, and in most instances, the documentation relating to the bid procurement is maintained by these individuals.

- B. During the year, deficiencies were noted in the purchase of equipment for the Hancock County Hospital. The county allowed Wellmont Health Systems, the hospital lessee, to make all purchases to equip the new hospital and forward the invoices to the County Mayor’s Office for payment. These purchases exceeded \$1,400,000. The county did not solicit bids for these purchases nor require Wellmont Health Systems to provide any documentation that competitive bids were solicited. Section 5-14-204, Tennessee Code Annotated, provides for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids. We have requested documentation of the process used by Wellmont Health Systems to select vendors and any method used to determine that the prices were competitive. However, as of the date of this report, no documentation related

to the process used by Wellmont Health Systems had been forwarded to the County Mayor's Office.

RECOMMENDATION

County officials should develop written policies and procedures for soliciting and awarding bids. These policies and procedures should include details for the solicitation, public advertisement, documentation, award, and approval of bids. All documentation of the competitive process should be filed in the County Mayor's Office to support the payment of invoices.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

“I will contact the Wellmont Health Systems through letter and require them to document compliance with state bid regulations.”

FINDING 05.04 **CONTROLS OVER INVENTORY WERE NOT ADEQUATE**
(Material Weakness in Internal Control Under Government Auditing Standards and Under OMB Circular A-133)

During the year under examination, the county purchased approximately \$1,400,000 in equipment for the new county hospital. Inventory records of these county-owned assets had not been created nor had the equipment been tagged or clearly marked as county property. The failure to maintain inventory records and to mark equipment as county property weakens controls over that equipment. An Appalachian Regional Commission Grant funded \$337,194 of the \$1,400,000 equipment purchased. Part 3(F) of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement requires that equipment records be maintained for all equipment obtained through federal assistance programs.

RECOMMENDATION

The office should develop inventory records for all county-owned assets at the hospital and ensure that all of these assets are tagged or clearly marked as property of Hancock County.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

“I will require the Wellmont Health System to immediately prepare an inventory record and to mark all equipment as property of Hancock County, and identify the equipment purchased with ARC Funds.”

FINDING 05.05 THE ACTUAL FUND BALANCE OF THE GENERAL DEBT SERVICE FUND AT JULY 1, 2004, EXCEEDED THE ESTIMATED FUND BALANCE BY A MATERIAL AMOUNT
(Internal Control – Material Weakness Under Government Auditing Standards)

The General Debt Service Fund's actual fund balance at July 1, 2004, was \$793,458; however, the estimated fund balance reflected in the county's budget at July 1, 2004, was \$396,080. Therefore, the actual fund balance was \$397,378 more than the estimated fund balance presented to the County Commission.

RECOMMENDATION

The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

“All reasonable attempts will be made to correctly identify beginning fund balances.”

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.06 RENOVATION PROJECTS WERE NOT PROPERLY ADMINISTERED
(A. Noncompliance Under Government Auditing Standards; B. Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of renovation projects noted the following deficiencies:

- A. The School Department did not employ a registered architect to design plans, specifications, and estimates on renovation projects at the old high school, as required by Section 62-2-107, Tennessee Code Annotated. This statute requires that a registered architect should be employed whenever construction contracts are estimated to exceed \$25,000.
- B. The School Department did not enter into formal written contracts with contractors employed on the projects. Without written contracts, the School Department and the contractors have no documented guidance for their duties and responsibilities.

RECOMMENDATION

The School Department should employ a registered architect or engineer for all construction projects exceeding \$25,000 as required by state statute. Also, the School

Department should enter into formal written contracts with all contractors detailing each party's duties and responsibilities.

FINDING 05.07 RECEIPTS WERE NOT PROPERLY ISSUED
(A. Noncompliance Under Government Auditing Standards; B. Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of cash collections revealed the following deficiencies:

- A. Receipts were not always issued. We noted several instances where the School Department deposited collections with the county trustee, but we could not locate corresponding receipts issued by the School Department. Section 9-2-102, Tennessee Code Annotated (TCA), requires official receipts be issued for all collections.
- B. Receipts were not always issued at the time of collection. We noted four instances where the School Department's receipts were dated after the date the collections were deposited with the county trustee. The practice of issuing receipts subsequent to the actual collection increases the risks that funds will not be properly accounted. Since some receipts were not issued at the point of collection, we were unable to determine if the School Department had complied with Section 5-8-207, TCA. This statute requires officials to deposit all receipts within three days of collection.

RECOMMENDATION

Receipts should be issued at the time of collection for all funds received, and all deposits should be made within three business days, as required by state statutes.

FINDING 05.08 ACTUAL FUND BALANCES AND RESERVES OF THE GENERAL PURPOSE SCHOOL FUND AND CENTRAL CAFETERIA FUND AT JULY 1, 2004, EXCEEDED ESTIMATED FUND BALANCES AND RESERVES BY MATERIAL AMOUNTS
(Internal Control – Material Weakness Under Government Auditing Standards)

We noted the following budgeting deficiencies:

- A. The General Purpose School Fund's actual fund balance and reserves at July 1, 2004, was \$2,653,155; however, the estimated fund balance and reserves reflected in the department's budget at July 1, 2004, was \$1,145,666.

Therefore, the actual fund balance and reserves were \$1,507,489 more than the estimated fund balance and reserves presented to the County Commission.

- B. The Central Cafeteria Fund's actual fund balance at July 1, 2004, was \$125,943; however, the estimated fund balance reflected in the department's budget at July 1, 2004, was \$68,537. Therefore, the actual fund balance was \$57,406 more than the estimated fund balance presented to the County Commission.

RECOMMENDATION

The estimated beginning fund balances and reserves should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 05.09 **UNIDENTIFIED AMOUNTS FROM THE FORMER CIRCUIT AND GENERAL SESSIONS COURTS CLERK WERE NOT REMITTED TO THE STATE AS UNCLAIMED PROPERTY**
(Material Noncompliance Under Government Auditing Standards)

The clerk did not remit unidentified funds to the state Treasurer's Office. Section 66-29-110, Tennessee Code Annotated (TCA), provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office. At June 30, 2005, the clerk held unidentified funds of \$58,613 and \$42,790 in Circuit and General Sessions Courts, respectively, which were carried forward from the former clerk.

RECOMMENDATION

To comply with state statutes, the clerk should report and pay to the state Treasurer's Office any unidentified or unclaimed funds held for one or more years.

FINDING 05.10 **BANK STATEMENTS WERE NOT RECONCILED PROPERLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Employees of the General Sessions Court Clerk's Office attempted to reconcile bank statements with cash journal controls monthly; however, errors were not discovered and corrected timely. An example of an uncorrected error includes a January 2005 personal

deposit of the clerk totaling \$1,823 that the bank inadvertently deposited into the General Session Court's official bank account. This error was not detected and corrected by the employees of the office until questioned by the auditor.

RECOMMENDATION

Bank statements should be reconciled with the cash journal monthly, and any errors noted should be corrected promptly.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 05.11 THE COUNTY COMMISSION PROVIDED THE SHERIFF WITH A SALARY SUPPLEMENT AS WORKHOUSE SUPERINTENDENT BUT HAD NOT ESTABLISHED THE JAIL AS A WORKHOUSE
(Noncompliance Under Government Auditing Standards)**

The County Commission budgeted \$5,000 as salary supplement for the sheriff to serve as superintendent of the workhouse, as permitted by Section 8-24-103, Tennessee Code Annotated, (TCA). However, the County Commission had not established the jail as a workhouse, as provided by Section 41-2-101, TCA. Therefore, the sheriff received compensation in excess of that provided by state statute.

RECOMMENDATION

The County Commission should formally establish the county jail as a workhouse, as provided by state statutes, or discontinue the sheriff's salary supplement.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

“It was my interpretation that we were in compliance, but understanding your explanation, I have placed on the September 12, 2005 commission docket a resolution to comply with Workhouse designation.”

FINDING 05.12 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING WAS NOT ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Hancock County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Hancock County officials should consider adopting either the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 05.13 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
Appalachian Regional Commission: Direct Program:					
Appalachian Regional Development	05.14	23.001	Circular A-133, Section 300 (b), Part 3 (F)	Material Weakness in Internal Control, see Finding No. 05.04: Controls Over Inventory Were Not Adequate	\$ 0

**HANCOCK COUNTY, TENNESSEE, AND THE
HANCOCK COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

There was one audit finding relative to federal awards presented in the current audit's Schedule of Findings and Questioned Costs and one audit finding relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

County Mayor – Corrective Action Plan for Current-year Findings

FINDINGS 05.04 and 05.14

I will require the Wellmont Health System to immediately prepare an inventory record, mark all equipment as property of Hancock County, and identify the equipment purchased with ARC funds.

Director of Schools – Summary Schedule of Prior-year Audit Findings

FINDINGS 04.04 and 04.08

The Hancock County Board of Education has implemented procedures to comply with the Davis-Bacon Act, including prevailing wage in all future federal funded construction contracts and payrolls for compliance with prevailing wage rate requirements.