

**ANNUAL FINANCIAL REPORT  
OF  
HICKMAN COUNTY, TENNESSEE  
HICKMAN COUNTY SCHOOL DEPARTMENT  
AND  
HICKMAN COUNTY HEALTH FOUNDATION**

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**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**  
**HICKMAN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# HICKMAN COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Hickman 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 Hickman County as of and for the year ended June 30, 2005.

## ***Results***

Our report on Hickman 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 six findings and recommendations, which we have reviewed with Hickman County's management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **HICKMAN COUNTY**

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

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### **OFFICE OF FINANCE DIRECTOR**

- ◆ The office had numerous deficiencies in purchasing procedures.
  - ◆ The actual fund balances at July 1, 2004, exceeded the estimated fund balances reflected in the county's budget in the General and Highway/Public Works Funds by \$549,704 and \$255,947, respectively.
  - ◆ The Solid Waste Disposal Fund had a deficit of \$164,227 in unrestricted net assets at June 30, 2005.
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## **OTHER FINDINGS**

- ◆ The county paid for political advertisements in an attempt to influence the outcome of a public referendum.
- ◆ Duties were not segregated adequately among the officials and employees in the Ambulance Service, Solid Waste Department, and Offices of Trustee and Clerk and Master.

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

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# INTRODUCTORY SECTION

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Hickman County Officials  
June 30, 2005

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Officials:

Steve Gregory, County Mayor  
Eddie Cook, Jr., Road Superintendent  
Cheryl Chessor, Trustee  
Delton Mayberry, Assessor of Property  
Randel B. Totty, County Clerk  
Dana Nicholson, Circuit and General Sessions Courts Clerk  
Sue Smith, Clerk and Master  
Patty Sisk, Register  
Randy Ward, Sheriff  
Betty Holland, Finance Director

Board of County Commissioners:

Brad Leeper, Chairman	Mark McFarlin
Lynette Harris	Steve Hethcote
Mickey Bunn	Gerald Rochelle
Jodi Bates	Shirley Mayberry
Ronny George	Wayne Richey
Robert Capps	Danny Clark
James Hassell	Charles List
Nathaniel Bates	Ricky Tidwell
Ronnie Holt	Frankye Ward
Charles Booker	Susan Sanford Sullivan
	Willie Powers

Highway Commission:

Larry Martin, Chairman	Kenneth Underhill
Robert M. Chilton	Douglas Gardner
Terry Beard	William E. Anglin
Roy Potts	

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**FINANCIAL SECTION**

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**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**

October 3, 2005

Hickman County Mayor and  
Board of County Commissioners  
Hickman 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 Hickman County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 42, 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 Hickman County'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.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type 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, business-type activities, and discretely presented component units are not reasonably determinable.

As described in Note I, Hickman 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 matters 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 Hickman County, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable for the year then ended.

The financial statements of the Hickman County Library (Special Revenue Fund and Permanent Fund) had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Hickman County, Tennessee, referred to above does not include the financial statements of the Hickman County Library, which should be included to conform to the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

However, in our opinion, except for the effect of the matter discussed in the preceding paragraph, 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 Hickman County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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.

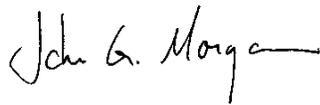
In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2005, on our consideration of Hickman County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 read in conjunction with this report in considering the results of our audit.

As described in Note IV.B., Hickman 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 risk.

The budgetary comparison information on pages 45 through 49 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 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 Hickman 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 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 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/rd

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,930	\$ 2,930
Equity in Pooled Cash and Investments	1,426,066	107,729	755,802	226,983	435,793	2,952,373
Accounts Receivable	0	0	0	0	525,775	525,775
Allowance for Uncollectibles	0	0	0	0	(382,154)	(382,154)
Due from Other Governments	136,338	356,529	93,416	0	0	586,283
Due from Other Funds	3,196	0	0	0	4,408	7,604
Property Taxes Receivable	3,804,195	227,046	962,978	0	0	4,994,219
Allowance for Uncollectible Property Taxes	(340,493)	(20,328)	(85,702)	0	0	(446,523)
Prepaid Items	20,533	0	0	0	0	20,533
Notes Receivable - Long-Term	0	0	314,000	0	0	314,000
<b>Total Assets</b>	<b>\$ 5,049,835</b>	<b>\$ 670,976</b>	<b>\$ 2,040,494</b>	<b>\$ 226,983</b>	<b>\$ 586,752</b>	<b>\$ 8,575,040</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 0	\$ 6,280	\$ 0	\$ 0	\$ 0	\$ 6,280
Contracts Payable	0	0	0	148,706	0	148,706
Retainage Payable	0	0	0	17,160	0	17,160
Due to Other Funds	0	0	4,408	0	3,110	7,518
Deferred Revenue - Current Property Taxes	3,291,463	196,505	835,147	0	0	4,323,115
Deferred Revenue - Delinquent Property Taxes	155,313	9,272	38,249	0	0	202,834
Other Deferred Revenues	77,301	172,997	46,617	0	65,369	362,284
<b>Total Liabilities</b>	<b>\$ 3,524,077</b>	<b>\$ 385,054</b>	<b>\$ 924,421</b>	<b>\$ 165,866</b>	<b>\$ 68,479</b>	<b>\$ 5,067,897</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 21,020,574	\$ 0	\$ 21,020,574
Reserved for Alcohol and Drug Treatment	48,153	0	0	0	0	48,153
Reserved for Sexual Offender Registration	1,140	0	0	0	0	1,140
Reserved for Courthouse and Jail Maintenance	180,332	0	0	0	0	180,332
Reserved for Computer System - Register	19,119	0	0	0	0	19,119
Reserved for Automation Purposes - Circuit Court	901	0	0	0	0	901
Reserved for Automation Purposes - General Sessions Court	22,869	0	0	0	0	22,869

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Reserved for Automation Purposes - Chancery Court  
 Reserved for Automation Purposes - Sheriff  
 Reserved for Long-Term Notes Receivable  
 Reserved for Jail Debt  
 Reserved for Keys Branch Road Debt  
 Unreserved, Reported In:  
 General Fund  
 Special Revenue Funds  
 Debt Service Funds  
 Capital Projects Funds (Deficit)

Total Fund Balances

Total Liabilities and Fund Balances

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
Reserved for Automation Purposes - Chancery Court	\$ 5,970	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,970
Reserved for Automation Purposes - Sheriff	2,870	0	0	0	0	2,870
Reserved for Long-Term Notes Receivable	0	0	314,000	0	0	314,000
Reserved for Jail Debt	0	0	186,077	0	0	186,077
Reserved for Keys Branch Road Debt	0	0	10,381	6,862	0	17,243
Unreserved, Reported In:						
General Fund	1,244,404	0	0	0	0	1,244,404
Special Revenue Funds	0	285,922	0	0	449,094	735,016
Debt Service Funds	0	0	605,615	0	69,179	674,794
Capital Projects Funds (Deficit)	0	0	0	(20,966,319)	0	(20,966,319)
<b>Total Fund Balances</b>	<b>\$ 1,525,758</b>	<b>\$ 285,922</b>	<b>\$ 1,116,073</b>	<b>\$ 61,117</b>	<b>\$ 518,273</b>	<b>\$ 3,507,143</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,049,835</b>	<b>\$ 670,976</b>	<b>\$ 2,040,494</b>	<b>\$ 226,983</b>	<b>\$ 586,752</b>	<b>\$ 8,575,040</b>

Exhibit B

Hickman 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	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<b>Revenues</b>						
Local Taxes	\$ 3,835,849	\$ 273,172	\$ 1,702,327	\$ 0	\$ 520,435	\$ 6,331,783
Licenses and Permits	22,929	0	0	0	0	22,929
Fines, Forfeitures and Penalties	86,248	0	0	0	1,531	87,779
Charges for Current Services	18,654	2,159	0	0	694,668	715,481
Other Local Revenues	27,496	14,630	214,849	0	33,248	290,223
Fees Received from County Officials	968,264	0	0	0	0	968,264
State of Tennessee	869,357	2,149,071	52,904	0	0	3,071,332
Federal Government	159,608	133,384	0	0	0	292,992
Other Governments and Citizens Groups	58,500	2,294	0	0	0	60,794
<b>Total Revenues</b>	<b>\$ 6,046,905</b>	<b>\$ 2,574,710</b>	<b>\$ 1,970,080</b>	<b>\$ 0</b>	<b>\$ 1,249,882</b>	<b>\$ 11,841,577</b>
<b>Expenditures</b>						
<b>Current:</b>						
General Government	\$ 741,312	\$ 0	\$ 0	\$ 6,748	\$ 2,203	\$ 750,263
Finance	592,606	0	0	0	0	592,606
Administration of Justice	474,098	0	0	0	26	474,124
Public Safety	1,544,307	0	0	0	2,800	1,547,107
Public Health and Welfare	225,339	0	0	0	932,117	1,157,456
Social, Cultural, and Recreational Services	11,280	0	0	2,418	0	13,698
Agricultural and Natural Resources	67,336	0	0	0	0	67,336
Other Operations	1,328,323	0	0	0	0	1,328,323
Highways	39,787	2,623,452	0	0	0	2,663,239
Support Services	34,014	0	0	0	0	34,014
<b>Debt Service:</b>						
Principal	43,749	0	1,732,181	0	368,000	2,143,930
Interest	4,537	0	195,258	0	143,742	343,537
Other Debt Service	0	0	53,253	0	28,488	81,741
Capital Projects	0	0	0	1,376,780	0	1,376,780
<b>Total Expenditures</b>	<b>\$ 5,106,688</b>	<b>\$ 2,623,452</b>	<b>\$ 1,980,692</b>	<b>\$ 1,385,946</b>	<b>\$ 1,477,376</b>	<b>\$ 12,574,154</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 940,217	\$ (48,742)	\$ (10,612)	\$ (1,385,946)	\$ (227,494)	\$ (732,577)
<b>Other Financing Sources (Uses)</b>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 125,000	\$ 0	\$ 125,000

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 1,172,000	\$ 0	\$ 1,172,000
Transfers In	26,635	118,138	171,865	0	434,480	751,118
Transfers Out	(326,117)	(198,500)	(239,280)	(118,138)	0	(882,035)
Total Other Financing Sources (Uses)	\$ (299,482)	\$ (80,362)	\$ (67,415)	\$ 1,178,862	\$ 434,480	\$ 1,166,083
Net Change in Fund Balances	\$ 640,735	\$ (129,104)	\$ (78,027)	\$ (207,084)	\$ 206,986	\$ 433,506
Fund Balance, July 1, 2004	885,023	415,026	1,194,100	268,201	311,287	3,073,637
Fund Balance, June 30, 2005	\$ 1,525,758	\$ 285,922	\$ 1,116,073	\$ 61,117	\$ 518,273	\$ 3,507,143

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

Hickman County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

	Business-type Activities - Enterprise Fund
	Solid Waste Disposal Fund
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 300
Equity in Pooled Cash and Investments	315,510
Accounts Receivable	116,857
Allowance for Uncollectibles	(48,330)
Total Current Assets	<u>\$ 384,337</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 43,880
Buildings and Improvements	502,062
Machinery and Equipment	195,376
Total Noncurrent Assets	<u>\$ 741,318</u>
Total Assets	<u>\$ 1,125,655</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Capital Outlay Notes Payable	\$ 91,586
Accrued Liability for Landfill Closure/Postclosure Care Costs	7,129
Accrued Leave	1,246
Total Current Liabilities	<u>\$ 99,961</u>
Noncurrent Liabilities:	
Capital Outlay Notes Payable	\$ 98,498
Accrued Leave	4,986
Accrued Liability for Landfill Closure/Postclosure Care Costs	206,749
Total Noncurrent Liabilities	<u>\$ 310,233</u>
Total Liabilities	<u>\$ 410,194</u>
<u>NET ASSETS</u>	
Investment in Capital Assets, net of related debt	\$ 551,234
Unrestricted	<u>164,227</u>
Total Net Assets	<u>\$ 715,461</u>

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

Hickman County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Fund
	Solid Waste Disposal Fund
	<hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 874,011
Other Local Revenues	45,736
Total Operating Revenues	<u>\$ 919,747</u>
<u>Operating Expenses</u>	
Sanitation Management	\$ 779,944
Depreciation	38,405
Total Operating Expenses	<u>\$ 818,349</u>
Operating Income (Loss)	<u>\$ 101,398</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 10,105
Interest Expense	(11,154)
Solid Waste Grants	15,057
Contribution from County General Fund	4,860
Total Nonoperating Revenues (Expenses)	<u>\$ 18,868</u>
Change in Net Assets	\$ 120,266
Net Assets, July 1, 2004	<u>595,195</u>
Nets Assets, June 30, 2005	<u><u>\$ 715,461</u></u>

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

Hickman County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Receipts from Customers and Users	\$ 863,047
Other Cash Receipts (Payments)	45,736
Payments to Employees	(234,533)
Waste Collection and Disposal Activity	(509,145)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 165,105</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>	
Grants Received	\$ 15,057
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 15,057</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Acquisition of Capital Assets	\$ (129,095)
Contribution from County General Fund	4,860
Principal Paid on Notes	(88,034)
Interest Paid on Notes	(11,154)
Net Cash Provided By (Used In) Capital Financing Activities	<u>\$ (223,423)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	
Investment Income	\$ 10,105
Net Cash Provided By (Used In) Investing Activities	<u>\$ 10,105</u>
Net increase (decrease) in cash and cash equivalents	\$ (33,156)
Cash and cash equivalents, July 1, 2004	<u>348,966</u>
Cash and cash equivalents, June 30, 2005	<u><u>\$ 315,810</u></u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	
Operating income (loss)	\$ 101,398
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	38,405
Change in Assets and Liabilities:	
(Increase) decrease in Accounts Receivable	(8,582)
(Increase) decrease in Allowance for Uncollectibles	(2,382)
Increase (decrease) in Accrued Expenses	36,266
Net cash provided by (used in) operating activities	<u><u>\$ 165,105</u></u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 437,516
Accounts Receivable	36
Due from Other Governments	<u>110,279</u>
Total Assets	<u>\$ 547,831</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 86
Due to Other Taxing Units	110,279
Due to Litigants, Heirs, and Others	<u>437,466</u>
Total Liabilities	<u>\$ 547,831</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hickman 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.

Hickman County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and 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. Hickman 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 Hickman County's auditor to issue an adverse opinion on the county's financial statements.

Although Hickman 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 Hickman County:

**A. Reporting Entity**

Hickman County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Hickman County (the primary government). Although required by GAAP, the financial statements of the Hickman County Public Library, a special revenue fund and a permanent fund, were not available from other auditors in time for inclusion in this report.

**Blended Component Units** – There are no legally separate component units of Hickman 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 Hickman 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 Hickman County School Department operates the public school system in the county, and the voters of Hickman 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 Hickman County Health Foundation was created pursuant to a settlement agreement relating to a lawsuit involving the Hickman County Hospital. The Hickman County Commission appoints its governing body. The purpose of the health foundation is to promote and advance the health, medical care, general well being, and quality of life of the residents of Hickman County. The health foundation is funded primarily from contributions from Baptist Hospital and interest earnings.

The Hickman County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hickman County, and the Hickman 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 Hickman County School Department, Hickman County Health Foundation, and the Hickman County Emergency Communications District issue separate financial statements from those of the county. The School Department’s and the Health Foundation’s financial statements are published as separate reports, but under the same cover as the county’s financial statements. The Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Hickman County Emergency Communications District  
102 East Swan Street  
Centerville, TN 37033

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

Fund financial statements of Hickman 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. An emphasis is placed on major funds within the governmental category and the proprietary category. Hickman County only reports one proprietary fund, the Solid Waste Disposal Fund (enterprise fund). It has no internal service funds to report.

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

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

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

Proprietary fund and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hickman County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This 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.

**General Capital Projects Fund** – This fund accounts for capital projects of the general government.

Hickman County reports the following major enterprise fund:

**Solid Waste Disposal Fund** – This fund accounts for transactions of the county’s solid waste transfer station and landfill.

Additionally, Hickman County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Hickman 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Hickman County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, the Solid Waste

Disposal Fund, an enterprise fund, used to account for solid waste activities. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the county's enterprise fund is tipping fees.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

**C. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on hand and cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Hickman County and Hickman County School Department 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. Most income from these pooled investments is assigned to the General Debt Service Fund. Hickman County and the Hickman County 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 state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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 three 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 costs applicable to future accounting periods and are recorded as prepaid items in the 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. Hickman 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, Hickman County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the Solid Waste Disposal Fund (enterprise fund). Hickman County defines capital assets as assets with an initial, individual cost of \$15,000 or more and an estimated useful life of more than of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary fund are depreciated using the straight-line method over the following estimated useful lives:

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

5. **Compensated Absences**

It is the county's general policy to permit employees (excluding the Highway Department, which closes down one week during the week of July 4 and two weeks during the Christmas holidays) to accumulate earned but unused personal leave (vacation and sick leave) benefits. All personal leave pay is accrued when incurred in the proprietary fund statements for the county. A liability for personal leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**6. Long-term Obligations**

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

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements.

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

**7. Fund Equity**

In proprietary funds, 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 balances 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.

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. Designations of fund balance represent tentative management plans that are subject to change. The county had no designations at June 30, 2005.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Fund Deficit**

The General Capital Projects Fund had a deficit in unreserved fund balance of \$20,966,319 at June 30, 2005. This deficit was attributable to the recognition of encumbrances for construction contracts related to school building projects of \$21,020,574. Funding has been received for these future expenditures.

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Employee Benefits (\$12,087) major appropriation category (the legal level of control) of the Highway/Public Works Fund. Also, expenditures exceeded appropriations approved by the County Commission in the General Government (\$229) and Education (\$17,625) major appropriation categories (the legal level of control) of the Education Debt Service Fund.

**C. Appropriations Exceeded Estimated Available Funds**

Appropriations approved by the County Commission exceeded the estimated available funds in the Highway/Public Works Fund by \$248,313.

**D. The Actual Fund Balances Differed From The Estimated Beginning Fund Balances by Material Amounts**

The actual fund balances at July 1, 2004, differed from the estimated fund balances reflected in the county's budget that were presented to the County Commission during the budget approval process in the following funds:

Fund	Actual Beginning Fund Balance	Budgeted Beginning Fund Balance	Difference
General	\$ 856,254	\$ 306,550	\$ 549,704
Highway/Public Works	415,026	159,079	255,947

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Hickman County and the Hickman County School Department participate in an internal cash and investment pool through the Office of Trustee. The Hickman County School Department meets the criteria for a discretely presented component unit of Hickman County. Since Hickman County is presenting fund financial statements only, the financial information for the Hickman County School Department is not included in these fund 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 represents nonpooled amounts held separately by individual funds.

### **Deposits**

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

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

**Investment Balances.** As of June 30, 2005, Hickman County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hickman County and the discretely presented Hickman County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 9,376,033

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hickman County has no investment policy that would further limit its investment choices. As of June 30, 2005, Hickman County's investment in the State Treasurer's Investment Pool was unrated.

**B. Note Receivable**

The note receivable in the General Debt Service Fund resulted from a contract dated March 28, 2002, to sell the Hickman County Agricultural Pavilion for \$325,000, less an initial payment of \$11,000 to Hickman County Agricultural Pavilion and Fairgrounds, Inc., a not-for-profit corporation. The second annual installment payment is not due until September 18, 2006, and subsequent payments will be due on September 18 of each year thereafter. The note receivable is offset by a reservation of fund balance in the General Debt Service Fund. The amount of the note that is not expected to be collected within one year is \$314,000.

**C. Capital Assets**

Capital assets activity of the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:			
	Balance		Balance
	7-1-04	Increases	6-30-05
	<hr/>		
Capital Assets Not Depreciated:			
Land	\$ 43,880	\$ 0	\$ 43,880
Total Capital Assets, Not Depreciated	<hr/>	<hr/>	<hr/>
	\$ 43,880	\$ 0	\$ 43,880
Capital Assets Depreciated:			
Buildings and Improvements	\$ 631,579	\$ 0	\$ 631,579
Machinery and Equipment	428,563	129,095	557,658
Total Capital Assets, Depreciated	<hr/>	<hr/>	<hr/>
	\$ 1,060,142	\$ 129,095	\$ 1,189,237
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 113,827	\$ 15,690	\$ 129,517
Machinery and Equipment	339,567	22,715	362,282
Total Accumulated Depreciation	<hr/>	<hr/>	<hr/>
	\$ 453,394	\$ 38,405	\$ 491,799
Total Capital Assets Depreciated, Net	<hr/>	<hr/>	<hr/>
	\$ 606,748	\$ 90,690	\$ 697,438
Business-type Activities Capital Assets, Net	<hr/>	<hr/>	<hr/>
	\$ 650,628	\$ 90,690	\$ 741,318

**D. Construction Commitments**

At June 30, 2005, the General Capital Projects Fund had uncompleted construction contracts of approximately \$21,020,574 for school construction projects. Funding has been received for these future expenditures.

**E. Interfund Receivables, Payables, and Transfers**

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

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 3,110
General	Agency	86
Nonmajor governmental	General Debt Service	4,408

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.

**Interfund Transfers:**

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

Transfers Out	Transfers In			
	General Fund	General Debt Service Fund	Nonmajor Governmental Funds	Highway/Public Works Fund
General Fund	\$ 0	\$ 0	\$ 326,117	\$ 0
Highway/Public Works Fund	26,635	171,865	0	0
General Debt Service Fund	0	0	239,280	0
General Capital Projects Fund	0	0	0	118,138
<b>Total</b>	<b>\$ 26,635</b>	<b>\$ 171,865</b>	<b>\$ 565,397</b>	<b>\$ 118,138</b>

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. Of the above transfers, \$130,917 was transferred from the General Fund to the Public Library Fund (a nonmajor governmental special revenue fund) whose financial statements were not available from other auditors in time for inclusion in this report.

**F. Capital Leases**

On June 13, 2002, Hickman County entered into a five-year lease-purchase agreement for a courthouse telephone system. The terms of the agreement require total lease payments of \$17,625 plus interest at 20.49 percent. In addition, on January 31, 2003, Hickman County entered into a two-year lease-purchase agreement for four sheriff's patrol cars. The terms of the agreement require total lease payments of \$121,035 plus interest at 5.75 percent. Title to the equipment transfers to Hickman County at the end of the lease period. The lease payments are made by the General Fund.

Since Hickman County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements 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 Hickman County is

not presenting government-wide financial statements. Capital leases are reported as a liability in the fund financial statements of enterprise funds. 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	\$ 5,665
2007	<u>5,152</u>
Total Minimum Lease Payments	\$ 10,817
Amounts Representing Interest	<u>(1,911)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 8,906</u></u>

**G. Long-term Debt**

Since Hickman 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 Hickman 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. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and 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 12 years for bonds, up to 18 years for notes, and up to 25 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, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service or Education Debt Service Funds.

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
General Obligation Bonds	3.4 to 5 %	\$ 3,000,000	\$ 210,000
General Obligation Bonds - Refunding	4 to 4.4	2,975,000	1,325,000
Capital Outlay Notes	0 to 4.15	1,138,608	593,656
Other Loans	variable	12,042,517	9,512,517
Capital Lease	20.49	17,625	8,906

In prior years, Hickman County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$8,949,117 and \$1,750,000 to Hickman County for various renovation and construction projects. The loans are repayable at interest rates that are tax-exempt variable rates 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 this loan. At June 30, 2005, the variable interest rate was 2.39 percent, and other fees amounted to \$100 per month per loan (trustee fee) and approximately .25 percent (letter of credit fee) and .08 percent (remarketing fee) of the outstanding loan principal.

During a prior year, Hickman County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$22,000,000 available for loan to Hickman County on an as-needed basis for various renovation and construction projects. Hickman County had borrowed \$1,343,400 of the loan at June 30, 2005. The loan is repayable at interest rates that are tax-exempt variable rates 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 this loan. At June 30, 2005, the variable interest rate was 2.18 percent, and other fees amounted to \$100 per month (trustee fee) and approximately .25 percent (letter of credit fee) and .08 percent (remarketing fee) of the outstanding loan principal.

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:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 640,000	\$ 68,150	\$ 174,972	\$ 23,425
2007	440,000	39,160	163,601	16,854
2008	455,000	20,020	119,068	10,361
2009	0	0	52,683	5,638
2010	0	0	10,417	3,458
2011-2015	0	0	52,085	10,813
2016-2017	0	0	20,830	1,299
<b>Total</b>	<b>\$ 1,535,000</b>	<b>\$ 127,330</b>	<b>\$ 593,656</b>	<b>\$ 71,848</b>

Year Ending June 30	Other Loan (\$8,949,117)			
	Principal	Interest	Other Fees	Total
2006	\$ 388,000	\$ 165,558	\$ 24,060	\$ 577,618
2007	408,000	156,285	22,779	587,064
2008	429,000	146,534	21,433	596,967
2009	452,000	136,281	20,017	608,298
2010	476,000	125,478	18,525	620,003
2011-2015	2,781,000	444,338	67,352	3,292,690
2016-2019	1,993,117	95,703	16,714	2,105,534
<b>Total</b>	<b>\$ 6,927,117</b>	<b>\$ 1,270,177</b>	<b>\$ 190,880</b>	<b>\$ 8,388,174</b>

Year Ending June 30	Other Loan (\$1,750,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 75,000	\$ 29,684	\$ 5,299	\$ 109,983
2007	78,000	27,891	5,052	110,943
2008	83,000	26,027	4,794	113,821
2009	87,000	24,043	4,520	115,563
2010	92,000	21,964	4,233	118,197
2011-2015	534,000	74,616	16,305	624,921
2016-2019	293,000	11,950	5,150	310,100
<b>Total</b>	<b>\$ 1,242,000</b>	<b>\$ 216,175</b>	<b>\$ 45,353</b>	<b>\$ 1,503,528</b>

Year Ending June 30	Other Loan (\$1,343,400)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 29,286	\$ 5,633	\$ 34,919
2007	696,000	29,286	5,633	730,919
2008	647,400	12,937	3,058	663,395
Total	\$ 1,343,400	\$ 71,509	\$ 14,324	\$ 1,429,233

There is \$802,073 available in the General Debt Service Fund and \$69,179 in the Education Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$69, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases, amounted to \$523, 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:

Governmental Activities:	Bonds	Notes	Capital Leases
	Balance, July 1, 2004	\$ 2,360,000	\$ 1,204,837
Additions	0	125,000	0
Deductions	(825,000)	(736,181)	(43,749)
Balance, June 30, 2005	\$ 1,535,000	\$ 593,656	\$ 8,906
Balance Due Within One Year	\$ 640,000	\$ 174,972	\$ 4,222

	Other Loans	Compensated Absences	Judgments
	Balance, July 1, 2004	\$ 8,879,517	\$ 128,516
Additions	1,172,000	12,488	0
Deductions	(539,000)	0	(6,500)
Balance, June 30, 2005	\$ 9,512,517	\$ 141,004	\$ 0
Balance Due Within One Year	\$ 463,000	\$ 35,251	\$ 0

Compensated absences payable will be paid from the employing funds, primarily the General Fund.

Hickman County Solid Waste Disposal Fund (enterprise fund)

The annual requirements to amortize all capital outlay notes outstanding as of June 30, 2005, including interest, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 91,586	\$ 7,602
2007	95,250	3,938
2008	3,248	88
Total	<u>\$ 190,084</u>	<u>\$ 11,628</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Notes
Balance, July 1, 2004	\$ 278,118
Deductions	<u>(88,034)</u>
Balance, June 30, 2005	<u>\$ 190,084</u>
Balance Due Within One Year	<u>\$ 91,586</u>

	Compensated Absences	Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 5,638	\$ 178,206
Additions	<u>594</u>	<u>35,672</u>
Balance, June 30, 2005	<u>\$ 6,232</u>	<u>\$ 213,878</u>
Balance Due Within One Year	<u>\$ 1,246</u>	<u>\$ 7,129</u>

**H. Short-term Debt**

Hickman County issued tax anticipation notes through the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet payroll and other operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance			Balance
	7-1-04	Issued	Redeemed	6-30-05
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ 500,000	\$ 0

**IV. OTHER INFORMATION**

**A. Risk Management**

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

Hickman County decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. Hickman County joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGWCF for its workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

Hickman County joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county pays an annual premium to the TSB-RMT for its general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

**B. Accounting Change**

During the year, Hickman 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**

On July 6, 2005, Hickman County issued capital outlay notes in the amount of \$250,000 for the purchase of property and a building for the library.

On September 19, 2005, the Hickman County Commission authorized the issuance of \$2,000,000 in other loans to fund certain public works projects.

From July 1, 2005, through October 3, 2005, Hickman County received \$2,175,000 in other loan proceeds.

**D. Contingent Liabilities**

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**E. Change in Administration**

Delton Mayberry was elected assessor of property to succeed Terry Christian effective September 1, 2004.

**F. Landfill Closure/Postclosure Care Costs**

Hickman County closed its landfill effective June 30, 1996. State and federal laws and regulations required the county to place a final cover on its Industrial Road landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although postclosure care costs will be paid only after the date the landfill stopped accepting waste, the Solid Waste Disposal Fund is required by generally accepted accounting principles to report the total estimated liability for postclosure care costs at June 30, 2005. The \$213,878 reported as landfill postclosure care costs at June 30, 2005, represents the estimated cost of postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**G. Joint Ventures**

Hickman County and the Town of Centerville entered into a joint venture to foster communication and facilitate economic and community development between and among governmental entities, industry, and private citizens. This joint venture is administered by the Hickman County Economic and Community Development Association Board (Vision 21). Hickman County contributed \$51,890 to the Hickman County Joint Economic and Community Development Association Board during the 2004-05 year.

The Twenty-first Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-first Judicial District, Williamson, Lewis, Hickman, and Perry 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, and the sheriffs and police chiefs of participating law enforcement agencies within each judicial district. Hickman County contributed \$20,000 to the DTF for the year ended June 30, 2005.

Hickman County does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Hickman County Joint Economic Development Board and the Twenty-first Judicial District Drug Task Force can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Hickman County Joint Economic Development Board (Vision 21)  
P. O. Box 126  
Centerville, TN 37033

Office of District Attorney General  
Twenty-first Judicial District Drug Task Force  
P. O. Box 937  
Franklin, TN 37065

**H. Jointly Governed Organization**

The South Central Tennessee Railroad Authority (SCTRA) was created by the county in conjunction with Lewis, Perry, and Wayne Counties and the cities of Centerville, Linden, Hohenwald, and Waynesboro. The SCTRA's board includes 16 members who are the elected county mayor or city mayor

and an appointed member of the County Commission or City Council from each of the respective counties or cities. Hickman County did not appropriate any funds for this operation during the year, and the county does not have any ongoing financial interest or responsibility for the entity. Funding sources for SCTRA are lease payments, switching fees, interest income, and grants.

## **I. Retirement Commitments**

### **Plan Description**

Employees of Hickman 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 Hickman 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](http://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**

Hickman County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 10.24 percent of annual covered payroll. The contribution requirement of plan

members is set by state statute. The contribution requirement for Hickman County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2005, Hickman County’s annual pension cost of \$593,996 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. Hickman 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 16 years.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$593,996	100%	\$0
6-30-04	500,097	100	0
6-30-03	478,009	100	0

**Required Supplementary Information**

Schedule of Funding Progress for Hickman County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$11,890	\$12,089	\$199	98.35%	\$5,303	3.75%
6-30-01	10,835	11,096	261	97.65	4,555	5.73
6-30-99	9,616	9,657	41	99.58	4,023	1.02

**J. Other Post-employment Benefits**

Insurance benefits will be paid for retirees with over 25 years of service with Hickman County or with over 20 years of service with the Highway Department and their eligible dependents at the rate of 85 percent for employee coverage (100 percent for Highway Department employees) and 58 percent for family coverage (75 percent for Highway Department employees). In the event these contribution rates are increased in the future, the retirees' insurance will increase to the same percentage rate. Medicare premiums shall be paid at the rate of \$40 per month for retirees only.

**K. Office of Central Accounting, Budgeting, and Purchasing**

Hickman County operates under provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. This act provides for the creation of a Finance Department operated under the direction of the finance director.

**L. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Hickman County. Purchases exceeding \$5,000 for the Office of County Mayor and \$10,000 for the Highway Department are required to be competitively bid.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 3,835,849	\$ 0	\$ 3,835,849	\$ 3,673,742	\$ 3,673,742	\$ 162,107
Licenses and Permits	22,929	0	22,929	22,200	22,200	729
Fines, Forfeitures and Penalties	86,248	0	86,248	71,100	71,100	15,148
Charges for Current Services	18,654	0	18,654	12,200	12,200	6,454
Other Local Revenues	27,496	0	27,496	9,000	27,720	(224)
Fees Received from County Officials	968,264	0	968,264	886,700	886,700	81,564
State of Tennessee	869,357	0	869,357	866,711	881,711	(12,354)
Federal Government	159,608	0	159,608	0	216,988	(57,380)
Other Governments and Citizens Groups	58,500	0	58,500	0	0	58,500
<b>Total Revenues</b>	<b>\$ 6,046,905</b>	<b>\$ 0</b>	<b>\$ 6,046,905</b>	<b>\$ 5,541,653</b>	<b>\$ 5,792,361</b>	<b>\$ 254,544</b>
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 44,830	\$ 0	\$ 44,830	\$ 37,500	\$ 47,300	\$ 2,470
Board of Equalization	750	0	750	500	750	0
Budget and Finance Committee	1,428	0	1,428	2,500	2,500	1,072
County Mayor	86,773	0	86,773	88,091	88,091	1,318
County Attorney	8,619	0	8,619	14,000	14,000	5,381
Election Commission (Including Voter Registration)	145,316	0	145,316	151,090	151,090	5,774
Register of Deeds	109,216	0	109,216	114,537	114,537	5,321
Planning	10,462	0	10,462	11,000	11,000	538
County Buildings	333,918	(19,900)	314,018	338,823	348,850	34,832
<u>Finance</u>						
Accounting and Budgeting	147,679	0	147,679	152,713	152,713	5,034
Property Assessor's Office	160,351	0	160,351	170,705	170,705	10,354
County Trustee's Office	112,194	0	112,194	114,567	114,567	2,373
County Clerk's Office	172,382	(1,559)	170,823	163,100	172,100	1,277

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 206,572	\$ 0	\$ 206,572	\$ 210,966	\$ 210,966	\$ 4,394
General Sessions Court	146,291	(300)	145,991	144,194	147,119	1,128
Chancery Court	106,442	0	106,442	109,561	109,561	3,119
Judicial Commissioners	14,793	0	14,793	14,738	14,793	0
<u>Public Safety</u>						
Sheriff's Department	960,023	(237)	959,786	1,022,392	1,022,969	63,183
Jail	402,715	0	402,715	344,940	457,640	54,925
Fire Prevention and Control	2,000	0	2,000	2,000	2,000	0
Civil Defense	151,887	0	151,887	72,040	255,783	103,896
Rescue Squad	10,000	0	10,000	10,000	10,000	0
County Coroner/Medical Examiner	17,682	0	17,682	21,800	21,800	4,118
<u>Public Health and Welfare</u>						
Local Health Center	52,731	(6,773)	45,958	49,001	50,001	4,043
Other Local Health Services	160,608	0	160,608	250,100	250,100	89,492
Regional Mental Health Center	12,000	0	12,000	12,000	12,000	0
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	5,000	0	5,000	5,000	5,000	0
Other Social, Cultural and Recreational	6,280	0	6,280	0	9,582	3,302
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	40,710	0	40,710	42,781	42,781	2,071
Soil Conservation	26,626	0	26,626	26,626	26,626	0
<u>Other Operations</u>						
Tourism	200	0	200	200	200	0
Industrial Development	51,890	0	51,890	51,896	51,896	6
Other Economic and Community Development	1,303	0	1,303	2,000	2,000	697
Veterans' Services	248	0	248	2,500	2,500	2,252

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Other Operations (Cont.)</u>						
Other Charges	\$ 443,213	\$ 0	\$ 443,213	\$ 409,716	\$ 444,516	\$ 1,303
Employee Benefits	728,228	0	728,228	819,900	809,900	81,672
Miscellaneous	103,241	0	103,241	115,960	115,960	12,719
<u>Highways</u>						
Litter and Trash Collection	39,787	0	39,787	43,741	43,741	3,954
<u>Support Services</u>						
Adult Programs	34,014	0	34,014	0	35,000	986
<u>Principal</u>						
General Government	43,749	0	43,749	0	43,749	0
<u>Interest</u>						
General Government	4,537	0	4,537	0	4,537	0
Total Expenditures	\$ 5,106,688	\$ (28,769)	\$ 5,077,919	\$ 5,143,178	\$ 5,590,923	\$ 513,004
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 940,217	\$ 28,769	\$ 968,986	\$ 398,475	\$ 201,438	\$ 767,548
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 26,635	\$ 0	\$ 26,635	\$ 0	\$ 93,528	\$ (66,893)
Transfers Out	(326,117)	0	(326,117)	(399,368)	(399,368)	73,251
Total Other Financing Sources (Uses)	\$ (299,482)	\$ 0	\$ (299,482)	\$ (399,368)	\$ (305,840)	\$ 6,358
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ 640,735	\$ 28,769	\$ 669,504	\$ (893)	\$ (104,402)	\$ 773,906
	885,023	(28,769)	856,254	306,550	306,550	549,704
Fund Balance, June 30, 2005						
	\$ 1,525,758	\$ 0	\$ 1,525,758	\$ 305,657	\$ 202,148	\$ 1,323,610

Exhibit E-2

Hickman 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>				
Local Taxes	\$ 273,172	\$ 280,904	\$ 280,904	\$ (7,732)
Charges for Current Services	2,159	3,600	3,600	(1,441)
Other Local Revenues	14,630	20,500	20,500	(5,870)
State of Tennessee	2,149,071	2,215,900	2,215,900	(66,829)
Federal Government	133,384	70,930	180,930	(47,546)
Other Governments and Citizens Groups	2,294	0	0	2,294
Total Revenues	<u>\$ 2,574,710</u>	<u>\$ 2,591,834</u>	<u>\$ 2,701,834</u>	<u>\$ (127,124)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 101,968	\$ 102,240	\$ 102,240	\$ 272
Highway and Bridge Maintenance	1,051,638	1,060,000	1,196,426	144,788
Operation and Maintenance of Equipment	348,848	344,800	369,800	20,952
Other Charges	63,114	121,800	121,800	58,686
Employee Benefits	469,289	413,750	457,202	(12,087)
Capital Outlay	588,595	302,400	663,258	74,663
Total Expenditures	<u>\$ 2,623,452</u>	<u>\$ 2,344,990</u>	<u>\$ 2,910,726</u>	<u>\$ 287,274</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (48,742)</u>	<u>\$ 246,844</u>	<u>\$ (208,892)</u>	<u>\$ 160,150</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 118,138	\$ 0	\$ 0	\$ 118,138
Transfers Out	(198,500)	(198,500)	(198,500)	0
Total Other Financing Sources (Uses)	<u>\$ (80,362)</u>	<u>\$ (198,500)</u>	<u>\$ (198,500)</u>	<u>\$ 118,138</u>
Net Change in Fund Balance	\$ (129,104)	\$ 48,344	\$ (407,392)	\$ 278,288
Fund Balance, July 1, 2004	<u>415,026</u>	<u>159,079</u>	<u>159,079</u>	<u>255,947</u>
Fund Balance, June 30, 2005	<u>\$ 285,922</u>	<u>\$ 207,423</u>	<u>\$ (248,313)</u>	<u>\$ 534,235</u>

**HICKMAN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the 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, 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. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Employee Benefits major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$12,087. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

**C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS**

Appropriations approved by the County Commission exceeded estimated available funds in the Highway/Public Works Funds by \$248,313.

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

The actual fund balance in the General Fund was \$856,254 at July 1, 2004; however, the estimated fund balance reflected in the county's budget at July 1, 2004, was \$306,550. Therefore, the actual fund balance was \$549,704 more than the estimated fund balance presented to the County Commission during the budget approval process.

The actual fund balance in the Highway/Public Works Fund was \$415,026 at July 1, 2004; however, the estimated fund balance reflected in the county's budget at July 1, 2004, was \$159,079. Therefore, the actual fund balance was \$255,947 more than the estimated fund balance presented to the County Commission during the budget approval process.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions of the Hickman County Ambulance Service.

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

Adequate Facilities/Development Tax Fund – The Adequate Facilities/Development Tax Fund is used to account for the fee assessed on square footage on all new residential, industrial, and commercial buildings.

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.

# Debt Service Funds

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Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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

Exhibit F-1

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

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	Ambulance Service	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Total	Education Debt Service	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 2,930	\$ 2,930	\$ 0	\$ 2,930
Equity in Pooled Cash and Investments	31,560	8,548	330,914	0	371,022	64,771	435,793
Accounts Receivable	525,595	0	0	180	525,775	0	525,775
Allowance for Uncollectibles	(382,154)	0	0	0	(382,154)	0	(382,154)
Due from Other Funds	0	0	0	0	0	4,408	4,408
<b>Total Assets</b>	<b>\$ 175,001</b>	<b>\$ 8,548</b>	<b>\$ 330,914</b>	<b>\$ 3,110</b>	<b>\$ 517,573</b>	<b>\$ 69,179</b>	<b>\$ 586,752</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 3,110	\$ 3,110	\$ 0	\$ 3,110
Other Deferred Revenues	65,369	0	0	0	65,369	0	65,369
<b>Total Liabilities</b>	<b>\$ 65,369</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,110</b>	<b>\$ 68,479</b>	<b>\$ 0</b>	<b>\$ 68,479</b>
<u>Fund Balances</u>							
Unreserved	\$ 109,632	\$ 8,548	\$ 330,914	\$ 0	\$ 449,094	\$ 69,179	\$ 518,273
<b>Total Fund Balances</b>	<b>\$ 109,632</b>	<b>\$ 8,548</b>	<b>\$ 330,914</b>	<b>\$ 0</b>	<b>\$ 449,094</b>	<b>\$ 69,179</b>	<b>\$ 518,273</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 175,001</b>	<b>\$ 8,548</b>	<b>\$ 330,914</b>	<b>\$ 3,110</b>	<b>\$ 517,573</b>	<b>\$ 69,179</b>	<b>\$ 586,752</b>

Exhibit F-2

Hickman 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					Debt Service Fund	Total Nonmajor Governmental Funds
	Ambulance Service	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Total	Education Debt Service	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 219,300	\$ 0	\$ 219,300	\$ 301,135	\$ 520,435
Fines, Forfeitures and Penalties	0	1,531	0	0	1,531	0	1,531
Charges for Current Services	694,642	0	0	26	694,668	0	694,668
Other Local Revenues	33,248	0	0	0	33,248	0	33,248
Total Revenues	\$ 727,890	\$ 1,531	\$ 219,300	\$ 26	\$ 948,747	\$ 301,135	\$ 1,249,882
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 2,203	\$ 0	\$ 2,203	\$ 0	\$ 2,203
Administration of Justice	0	0	0	26	26	0	26
Public Safety	0	2,800	0	0	2,800	0	2,800
Public Health and Welfare	932,117	0	0	0	932,117	0	932,117
Debt Service:							
Principal	0	0	0	0	0	368,000	368,000
Interest	0	0	0	0	0	143,742	143,742
Other Debt Service	0	0	0	0	0	28,488	28,488
Total Expenditures	\$ 932,117	\$ 2,800	\$ 2,203	\$ 26	\$ 937,146	\$ 540,230	\$ 1,477,376
Excess (Deficiency) of Revenues Over Expenditures	\$ (204,227)	\$ (1,269)	\$ 217,097	\$ 0	\$ 11,601	\$ (239,095)	\$ (227,494)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 195,200	\$ 0	\$ 0	\$ 0	\$ 195,200	\$ 239,280	\$ 434,480
Total Other Financing Sources (Uses)	\$ 195,200	\$ 0	\$ 0	\$ 0	\$ 195,200	\$ 239,280	\$ 434,480
Net Change in Fund Balances	\$ (9,027)	\$ (1,269)	\$ 217,097	\$ 0	\$ 206,801	\$ 185	\$ 206,986
Fund Balance, July 1, 2004	118,659	9,817	113,817	0	242,293	68,994	311,287
Fund Balance, June 30, 2005	\$ 109,632	\$ 8,548	\$ 330,914	\$ 0	\$ 449,094	\$ 69,179	\$ 518,273

Exhibit F-3

Hickman County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Ambulance Service 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	\$ 694,642	\$ 615,000	\$ 615,000	\$ 79,642
Other Local Revenues	33,248	0	29,614	3,634
Total Revenues	<u>\$ 727,890</u>	<u>\$ 615,000</u>	<u>\$ 644,614</u>	<u>\$ 83,276</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 932,117	\$ 900,800	\$ 942,414	\$ 10,297
Total Expenditures	<u>\$ 932,117</u>	<u>\$ 900,800</u>	<u>\$ 942,414</u>	<u>\$ 10,297</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (204,227)</u>	<u>\$ (285,800)</u>	<u>\$ (297,800)</u>	<u>\$ 93,573</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 195,200	\$ 268,450	\$ 268,450	\$ (73,250)
Total Other Financing Sources (Uses)	<u>\$ 195,200</u>	<u>\$ 268,450</u>	<u>\$ 268,450</u>	<u>\$ (73,250)</u>
Net Change in Fund Balance	\$ (9,027)	\$ (17,350)	\$ (29,350)	\$ 20,323
Fund Balance, July 1, 2004	<u>118,659</u>	<u>53,010</u>	<u>53,010</u>	<u>65,649</u>
Fund Balance, June 30, 2005	<u>\$ 109,632</u>	<u>\$ 35,660</u>	<u>\$ 23,660</u>	<u>\$ 85,972</u>

Exhibit F-4

Hickman 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	\$ 1,531	\$ 3,500	\$ 3,500	\$ (1,969)
Total Revenues	\$ 1,531	\$ 3,500	\$ 3,500	\$ (1,969)
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 2,800	\$ 0	\$ 2,971	\$ 171
Drug Enforcement	0	2,000	2,000	2,000
Total Expenditures	\$ 2,800	\$ 2,000	\$ 4,971	\$ 2,171
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,269)	\$ 1,500	\$ (1,471)	\$ 202
Net Change in Fund Balance	\$ (1,269)	\$ 1,500	\$ (1,471)	\$ 202
Fund Balance, July 1, 2004	9,817	12,899	12,899	(3,082)
Fund Balance, June 30, 2005	\$ 8,548	\$ 14,399	\$ 11,428	\$ (2,880)

Exhibit F-5

Hickman County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Adequate Facilities/Development Tax Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 219,300	\$ 0	\$ 250,000	\$ (30,700)
Total Revenues	\$ 219,300	\$ 0	\$ 250,000	\$ (30,700)
<u>Expenditures</u>				
<u>General Government</u>				
Building	\$ 2,203	\$ 0	\$ 2,500	\$ 297
Total Expenditures	\$ 2,203	\$ 0	\$ 2,500	\$ 297
Excess (Deficiency) of Revenues Over Expenditures	\$ 217,097	\$ 0	\$ 247,500	\$ (30,403)
Net Change in Fund Balance	\$ 217,097	\$ 0	\$ 247,500	\$ (30,403)
Fund Balance, July 1, 2004	113,817	0	0	113,817
Fund Balance, June 30, 2005	\$ 330,914	\$ 0	\$ 247,500	\$ 83,414

Exhibit F-6

Hickman County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education 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	\$ 301,135	\$ 290,000	\$ 290,000	\$ 11,135
Total Revenues	\$ 301,135	\$ 290,000	\$ 290,000	\$ 11,135
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 368,000	\$ 368,000	\$ 368,000	\$ 0
<u>Interest</u>				
Education	143,742	205,688	205,688	61,946
<u>Other Debt Service</u>				
General Government	3,029	2,800	2,800	(229)
Education	25,459	7,834	7,834	(17,625)
Total Expenditures	\$ 540,230	\$ 584,322	\$ 584,322	\$ 44,092
Excess (Deficiency) of Revenues Over Expenditures	\$ (239,095)	\$ (294,322)	\$ (294,322)	\$ 55,227
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 239,280	\$ 294,322	\$ 294,322	\$ (55,042)
Total Other Financing Sources (Uses)	\$ 239,280	\$ 294,322	\$ 294,322	\$ (55,042)
Net Change in Fund Balance	\$ 185	\$ 0	\$ 0	\$ 185
Fund Balance, July 1, 2004	68,994	40,156	40,156	28,838
Fund Balance, June 30, 2005	\$ 69,179	\$ 40,156	\$ 40,156	\$ 29,023

# Major Governmental Fund

## General Debt Service Fund

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

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Exhibit G

Hickman 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	\$ 1,702,327	\$ 1,599,213	\$ 1,599,213	\$ 103,114
Other Local Revenues	214,849	95,000	95,000	119,849
State of Tennessee	52,904	30,000	30,000	22,904
Total Revenues	<u>\$ 1,970,080</u>	<u>\$ 1,724,213</u>	<u>\$ 1,724,213</u>	<u>\$ 245,867</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 1,058,865	\$ 668,709	\$ 1,058,985	\$ 120
Highways and Streets	237,213	147,487	237,213	0
Education	436,103	436,103	436,103	0
<u>Interest</u>				
General Government	77,339	92,818	82,937	5,598
Highways and Streets	28,080	24,203	28,080	0
Education	89,839	102,262	92,733	2,894
<u>Other Debt Service</u>				
General Government	32,758	30,357	34,213	1,455
Education	20,495	0	20,495	0
Total Expenditures	<u>\$ 1,980,692</u>	<u>\$ 1,501,939</u>	<u>\$ 1,990,759</u>	<u>\$ 10,067</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (10,612)</u>	<u>\$ 222,274</u>	<u>\$ (266,546)</u>	<u>\$ 255,934</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 171,865	\$ 171,690	\$ 171,690	\$ 175
Transfers Out	(239,280)	(294,684)	(294,684)	55,404
Total Other Financing Sources (Uses)	<u>\$ (67,415)</u>	<u>\$ (122,994)</u>	<u>\$ (122,994)</u>	<u>\$ 55,579</u>
Net Change in Fund Balance	\$ (78,027)	\$ 99,280	\$ (389,540)	\$ 311,513
Fund Balance, July 1, 2004	<u>1,194,100</u>	<u>1,088,498</u>	<u>1,088,498</u>	<u>105,602</u>
Fund Balance, June 30, 2005	<u>\$ 1,116,073</u>	<u>\$ 1,187,778</u>	<u>\$ 698,958</u>	<u>\$ 417,115</u>

# Agency Funds

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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.

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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 Funds – 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 the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 437,516	\$ 437,516
Accounts Receivable	0	36	36
Due from Other Governments	110,279	0	110,279
Total Assets	<u>\$ 110,279</u>	<u>\$ 437,552</u>	<u>\$ 547,831</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 86	\$ 86
Due to Other Taxing Units	110,279	0	110,279
Due to Litigants, Heirs, and Others	0	437,466	437,466
Total Liabilities	<u>\$ 110,279</u>	<u>\$ 437,552</u>	<u>\$ 547,831</u>

Exhibit H-2

Hickman 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	\$ 53,964	\$ 584,075	\$ 638,039	\$ 0
Due From Other Governments	101,035	110,279	101,035	110,279
Total Assets	\$ 154,999	\$ 694,354	\$ 739,074	\$ 110,279
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 154,999	\$ 694,354	\$ 739,074	\$ 110,279
Total Liabilities	\$ 154,999	\$ 694,354	\$ 739,074	\$ 110,279
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 450,949	\$ 5,370,388	\$ 5,383,821	\$ 437,516
Accounts Receivable	40	36	40	36
Investments	1,000	0	1,000	0
Total Assets	\$ 451,989	\$ 5,370,424	\$ 5,384,861	\$ 437,552
<u>Liabilities</u>				
Due to Other Funds	\$ 40	\$ 86	\$ 40	\$ 86
Due to Litigants, Heirs, and Others	451,949	5,370,338	5,384,821	437,466
Total Liabilities	\$ 451,989	\$ 5,370,424	\$ 5,384,861	\$ 437,552
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 53,964	\$ 584,075	\$ 638,039	\$ 0
Cash	450,949	5,370,388	5,383,821	437,516
Due From Other Governments	101,035	110,279	101,035	110,279
Accounts Receivable	40	36	40	36
Investments	1,000	0	1,000	0
Total Assets	\$ 606,988	\$ 6,064,778	\$ 6,123,935	\$ 547,831
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 154,999	\$ 694,354	\$ 739,074	\$ 110,279
Due to Other Funds	40	86	40	86
Due to Litigants, Heirs, and Others	451,949	5,370,338	5,384,821	437,466
Total Liabilities	\$ 606,988	\$ 6,064,778	\$ 6,123,935	\$ 547,831

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

Hickman County, Tennessee  
Schedule of Changes in Long-Term Notes, Other Loans, Capital Leases, and Bonds  
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
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Asbestos Abatement	\$ 201,499	0 %	6-30-1989	7-1-07	\$ 23,850	\$ 0	\$ 11,103	\$ 12,747
Refunded Highway Capital Outlay Notes	125,951	4	2-14-03	3-29-05	89,686	0	89,686	0
Refunded Police Cars, Office and Computer Equipment Capital Outlay Notes	236,003	4	2-14-03	3-29-05	172,369	0	172,369	0
Refunded Highway Capital Outlay Notes	298,872	4	2-18-03	8-29-08	245,827	0	49,486	196,341
Refunded Ag Pavilion Capital Outlay Notes	149,909	4	2-18-03	3-29-05	99,657	0	99,657	0
Refunded Solid Waste Capital Outlay Notes	358,823	4	2-19-03	3-29-05	215,839	0	215,839	0
Refunded Highway Capital Outlay Notes	256,500	4	2-19-03	9-1-08	206,598	0	47,096	159,502
Refunded Highway Capital Outlay Notes	256,737	4	2-19-03	2-28-07	151,011	0	50,945	100,066
Highway Capital Outlay Note	125,000	4.15	8-2-04	8-2-16	0	125,000	0	125,000
Total Notes Payable					<u>\$ 1,204,837</u>	<u>\$ 125,000</u>	<u>\$ 736,181</u>	<u>\$ 593,656</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through Education Debt Service Fund</u>								
School Construction	8,949,117	Variable	12-15-1997	5-25-18	\$ 7,295,117	\$ 0	\$ 368,000	\$ 6,927,117
<u>Payable through General Debt Service Fund</u>								
Court Facility	1,750,000	Variable	2-9-1998	5-25-18	1,413,000	0	171,000	1,242,000
School Construction	(1)	Variable	6-28-04	5-25-29	171,400	1,172,000	0	1,343,400
Total Other Loans Payable					<u>\$ 8,879,517</u>	<u>\$ 1,172,000</u>	<u>\$ 539,000</u>	<u>\$ 9,512,517</u>
<b>CAPITAL LEASES</b>								
<u>Payable through General Fund</u>								
Telephone System	17,625	20.49	6-13-02	6-13-07	\$ 12,351	\$ 0	\$ 3,445	\$ 8,906
Sheriff Patrol Cars	121,035	5.75	1-31-03	1-31-05	40,304	0	40,304	0
Total Capital Leases					<u>\$ 52,655</u>	<u>\$ 0</u>	<u>\$ 43,749</u>	<u>\$ 8,906</u>
<b>GENERAL BONDED DEBT</b>								
<u>Payable through General Debt Service Fund</u>								
General Obligation and Public Improvement	3,000,000	3.4 to 5	6-1-1994	6-1-06	\$ 610,000	\$ 0	\$ 400,000	\$ 210,000
School Refunding Bonds	2,975,000	4 to 4.4	9-2-98	1-15-08	1,750,000	0	425,000	1,325,000
Total General Bonded Debt					<u>\$ 2,360,000</u>	<u>\$ 0</u>	<u>\$ 825,000</u>	<u>\$ 1,535,000</u>

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$20,656,600 of an authorized \$22,000,000.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 640,000	\$ 68,150	\$ 708,150
2007	440,000	39,160	479,160
2008	455,000	20,020	475,020
Total	<u>\$ 1,535,000</u>	<u>\$ 127,330</u>	<u>\$ 1,662,330</u>

Exhibit I-3

Hickman County, Tennessee  
Schedule of Notes Receivable - All Funds  
June 30, 2005

Description	Debtor	Original Amount of Notes	Date of Issue	Date of Maturity	Interest Rate	Balance
<u>General Debt Service Fund</u>						
Agriculture Pavilion	Hickman County Agricultural Pavilion and Fairgrounds, Inc.	\$ 314,000	3-28-02	9-18-34	0 %	<u>\$ 314,000</u>
Total Notes Receivable						<u><u>\$ 314,000</u></u>

Agreement calls for 28 annual payments of \$11,000 beginning September 18, 2006,  
plus a final payment of \$6,000.

Exhibit I-4

Hickman 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	Ambulance Service	Provide funds for operations	\$ 195,200
Highway/Public Works	General Debt Service	Provide funds for debt retirement	171,865
General Debt Service	Education Debt Service	Debt retirement	239,280
General	Public Library	Provide funds for operations	130,917
General Capital Projects	Highway/Public Works	Provide funds for operations	118,138
Highway/Public Works	General	Provide funds for administrative costs	<u>26,635</u>
Total Transfers			<u>\$ 882,035</u>

Exhibit I-5

Hickman 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>	\$ 56,903 (1)	\$ 50,000	State Farm Fire and Casualty Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	54,270 (1)	100,000	United States Fidelity and Guaranty Company
Trustee	Section 8-24-102, <u>TCA</u>	49,469 (1)	785,500	State Farm Fire and Casualty Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	49,469 (1)	12,000	Auto Owners Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	49,469 (1)	50,000	Old Republic Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	State Farm Fire and Casualty Company
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Judge	49,828 (2)	55,000	United States Fidelity and Guaranty Company
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	53,284 (3)	27,500	"
Finance Director	County Commission	45,739 (1)	50,000	Old Republic Surety Company
<u>Other Bonds</u>				
	Employee Blanket Bond		150,000	Tennessee School Boards Risk Management Trust

(1) Includes \$1,500 as a certified training supplement.

(2) Includes \$1,500 as a certified training supplement and \$359 in special commissioner fees.

(3) Includes \$519 as a law enforcement training supplement.

Exhibit I-6

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

	Special Revenue Funds						Debt Service Funds		Total
	General	Ambulance Service	Drug Control	Adequate Facilities/ Development Tax	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 3,170,192	\$ 0	\$ 0	\$ 0	\$ 0	\$ 189,259	\$ 780,689	\$ 0	\$ 4,140,140
Trustee's Collections - Prior Year	112,766	0	0	0	0	6,942	42,882	0	162,590
Circuit/Clerk & Master Collections - Prior Years	75,765	0	0	0	0	4,220	29,892	0	109,877
Interest and Penalty	23,535	0	0	0	0	1,423	8,222	0	33,180
Payments in Lieu of Taxes - T.V.A.	5,618	0	0	0	0	335	1,383	0	7,336
Payments in Lieu of Taxes - Local Utilities	16,291	0	0	0	0	0	0	0	16,291
Payments in Lieu of Taxes - Other	1,058	0	0	0	0	0	0	0	1,058
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	520,282	0	520,282
Hotel/Motel Tax	22,416	0	0	0	0	0	0	0	22,416
Wheel Tax	0	0	0	0	0	0	301,135	301,135	602,270
Litigation Tax - General	86,542	0	0	0	0	0	0	0	86,542
Litigation Tax - Special Purpose	11,808	0	0	0	0	0	0	0	11,808
Litigation Tax - Jail, Workhouse, or Courthouse	31,667	0	0	0	0	0	0	0	31,667
Business Tax	30,295	0	0	0	0	1,864	7,461	0	39,620
Mineral Severance Tax	0	0	0	0	0	69,129	0	0	69,129
Adequate Facilities/Development Tax	0	0	0	219,300	0	0	0	0	219,300
<u>Statutory Local Taxes</u>									
Bank Excise Tax	51,308	0	0	0	0	0	0	0	51,308
Wholesale Beer Tax	196,588	0	0	0	0	0	0	0	196,588
Other Statutory Local Taxes	0	0	0	0	0	0	10,381	0	10,381
Total Local Taxes	\$ 3,835,849	\$ 0	\$ 0	\$ 219,300	\$ 0	\$ 273,172	\$ 1,702,327	\$ 301,135	\$ 6,331,783
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 15,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,306
<u>Permits</u>									
Beer Permits	7,623	0	0	0	0	0	0	0	7,623
Total Licenses and Permits	\$ 22,929	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,929

(Continued)

Exhibit I-6

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

	Special Revenue Funds						Debt Service Funds		Total
	General	Ambulance Service	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 10,762	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,762
Officers Costs	5,426	0	0	0	0	0	0	0	5,426
Drug Control Fines	0	0	961	0	0	0	0	0	961
Jail Fees	143	0	0	0	0	0	0	0	143
DUI Treatment Fines	1,343	0	0	0	0	0	0	0	1,343
Data Entry Fee - Circuit Court	389	0	0	0	0	0	0	0	389
<u>General Sessions Court</u>									
Fines	16,331	0	0	0	0	0	0	0	16,331
Officers Costs	28,584	0	0	0	0	0	0	0	28,584
Game and Fish Fines	648	0	0	0	0	0	0	0	648
Drug Control Fines	0	0	570	0	0	0	0	0	570
Jail Fees	2,607	0	0	0	0	0	0	0	2,607
DUI Treatment Fines	5,021	0	0	0	0	0	0	0	5,021
Data Entry Fee - General Sessions Court	6,635	0	0	0	0	0	0	0	6,635
<u>Chancery Court</u>									
Officers Costs	3,591	0	0	0	0	0	0	0	3,591
Data Entry Fee - Chancery Court	2,796	0	0	0	0	0	0	0	2,796
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	1,972	0	0	0	0	0	0	0	1,972
<b>Total Fines, Forfeitures and Penalties</b>	<b>\$ 86,248</b>	<b>\$ 0</b>	<b>\$ 1,531</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 87,779</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 0	\$ 694,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	694,642
<u>Fees</u>									
Copy Fees	189	0	0	0	0	0	0	0	189
Vending Machine Collections	0	0	0	0	0	2,159	0	0	2,159
Constitutional Officers' Fees and Commissions	0	0	0	0	26	0	0	0	26
Data Processing Fee - Register	15,004	0	0	0	0	0	0	0	15,004
Probation Fees	2,011	0	0	0	0	0	0	0	2,011
Data Processing Fee - Sheriff	310	0	0	0	0	0	0	0	310
Sexual Offender Registration Fee	1,140	0	0	0	0	0	0	0	1,140
<b>Total Charges for Current Services</b>	<b>\$ 18,654</b>	<b>\$ 694,642</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 26</b>	<b>\$ 2,159</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 715,481</b>

(Continued)

Exhibit I-6

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

	Special Revenue Funds						Debt Service Funds		Total
	General	Ambulance Service	Drug Control	Adequate Facilities/ Development Tax	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 214,849	\$ 0	\$ 214,849
Lease/Rentals	7,650	0	0	0	0	0	0	0	7,650
Sale of Materials and Supplies	234	0	0	0	0	0	0	0	234
Miscellaneous Refunds	4,611	0	0	0	0	14,630	0	0	19,241
<u>Nonrecurring Items</u>									
Insurance Recovery	3,246	33,248	0	0	0	0	0	0	36,494
Sale of Equipment	3,144	0	0	0	0	0	0	0	3,144
Contributions & Gifts	8,611	0	0	0	0	0	0	0	8,611
Total Other Local Revenues	\$ 27,496	\$ 33,248	\$ 0	\$ 0	\$ 0	\$ 14,630	\$ 214,849	\$ 0	\$ 290,223
<u>Fees Received from County Officials</u>									
<u>Fees In Lieu of Salary</u>									
County Clerk	\$ 203,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,112
Circuit Court Clerk	203,986	0	0	0	0	0	0	0	203,986
Clerk and Master	115,220	0	0	0	0	0	0	0	115,220
Register	156,531	0	0	0	0	0	0	0	156,531
Sheriff	23,924	0	0	0	0	0	0	0	23,924
Trustee	265,491	0	0	0	0	0	0	0	265,491
Total Fees Received from County Officials	\$ 968,264	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 968,264
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,300
State Reappraisal Grant	11,022	0	0	0	0	0	0	0	11,022
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	7,780	0	0	0	0	0	0	0	7,780
<u>Health and Welfare Grants</u>									
Health Department Programs	270,773	0	0	0	0	0	0	0	270,773
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	89,448	0	0	89,448
State Aid Program	0	0	0	0	0	190,872	0	0	190,872
Litter Program	25,146	0	0	0	0	0	0	0	25,146

(Continued)

Exhibit I-6

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

	Special Revenue Funds					Debt Service Funds		Total	
	General	Ambulance Service	Drug Control	Adequate Facilities/Development Tax	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		Education Debt Service
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues</u>									
Income Tax	\$ 14,211	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,211
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	36,686	0	0	0	0	0	0	0	36,686
State Revenue Sharing - T.V.A.	214,821	0	0	0	0	12,825	52,904	0	280,550
Contracted Prisoner Boarding	245,700	0	0	0	0	0	0	0	245,700
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,837,992	0	0	1,837,992
Petroleum Special Tax	0	0	0	0	0	17,934	0	0	17,934
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Revenues	760	0	0	0	0	0	0	0	760
Total State of Tennessee	\$ 869,357	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,149,071	\$ 52,904	\$ 0	\$ 3,071,332
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	65,000	\$ 0	\$ 0	65,000
Homeland Security Grants	131,482	0	0	0	0	0	0	0	131,482
Other Federal through State	28,126	0	0	0	0	0	0	0	28,126
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	0	0	0	0	0	68,384	0	0	68,384
Total Federal Government	\$ 159,608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 133,384	\$ 0	\$ 0	\$ 292,992
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,294	\$ 0	\$ 0	2,294
Contributions	58,500	0	0	0	0	0	0	0	58,500
Total Other Governments and Citizens Groups	\$ 58,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,294	\$ 0	\$ 0	\$ 60,794
Total	\$ 6,046,905	\$ 727,890	\$ 1,531	\$ 219,300	\$ 26	\$ 2,574,710	\$ 1,970,080	\$ 301,135	\$ 11,841,577

Exhibit I-7

Hickman 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	\$	34,377	
Audit Services		5,352	
Legal Notices, Recording and Court Costs		2,772	
Office Supplies		2,329	
Total County Commission			\$ 44,830

Board of Equalization

Board and Committee Members Fees	\$	750	
Total Board of Equalization			750

Budget and Finance Committee

Accounting Services	\$	1,428	
Total Budget and Finance Committee			1,428

County Mayor

County Official/Administrative Officer	\$	56,903	
Secretary(s)		19,988	
Dues and Memberships		335	
Legal Notices, Recording and Court Costs		137	
Travel		5,115	
Other Contracted Services		2,284	
Office Supplies		1,290	
Office Equipment		721	
Total County Mayor			86,773

County Attorney

Legal Services	\$	8,619	
Total County Attorney			8,619

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	38,375	
Deputy(ies)		18,939	
Part-time Personnel		71	
Election Commission		3,793	
Election Workers		35,004	
Data Processing Services		2,808	
Legal Notices, Recording and Court Costs		3,040	
Maintenance & Repair Services- Office Equipment		560	
Printing, Stationery and Forms		30,381	
Rentals		595	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration)  
(Cont.)

Travel	\$	4,574	
Other Contracted Services		3,895	
Office Supplies		2,537	
Office Equipment		744	
		<hr/>	

Total Election Commission (Including Voter Registration) \$ 145,316

Register of Deeds

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		21,003	
Salary Supplements		375	
Clerical Personnel		18,516	
Data Processing Services		12,672	
Maintenance & Repair Services- Office Equipment		1,197	
Travel		1,315	
Office Supplies		2,982	
Office Equipment		3,187	
		<hr/>	

Total Register of Deeds 109,216

Planning

Board and Committee Members Fees	\$	1,600	
Contracts with Government Agencies		8,500	
Other Supplies and Materials		362	
		<hr/>	

Total Planning 10,462

County Buildings

Supervisor/Director	\$	22,077	
Custodial Personnel		19,973	
Communication		77,932	
Maintenance & Repair Services- Buildings		73,606	
Pest Control		3,300	
Rentals		8,400	
Custodial Supplies		2,170	
Electricity		79,350	
Gasoline		569	
Office Supplies		200	
Uniforms		2,335	
Utilities		38,423	
Other Charges		183	
Motor Vehicles		5,400	
		<hr/>	

Total County Buildings 333,918

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	45,739	
Deputy(ies)		21,947	
Accountants/Bookkeepers		20,058	
Data Processing Personnel		18,835	
Salary Supplements		1,500	
Clerical Personnel		17,001	
In-Service Training		600	
Data Processing Services		6,974	
Legal Notices, Recording and Court Costs		1,495	
Printing, Stationery and Forms		3,811	
Travel		3,006	
Office Supplies		4,102	
Premiums on Corporate Surety Bonds		475	
Office Equipment		2,136	
Total Accounting and Budgeting			\$ 147,679

Property Assessor's Office

County Official/Administrative Officer	\$	49,469	
Assistant(s)		18,206	
Deputy(ies)		16,359	
Data Processing Personnel		4,663	
Secretary(s)		19,730	
Clerical Personnel		19,245	
In-Service Training		1,500	
Data Processing Services		12,676	
Legal Notices, Recording and Court Costs		513	
Maintenance & Repair Services- Office Equipment		1,471	
Travel		6,245	
Other Contracted Services		1,875	
Office Supplies		4,747	
Premiums on Corporate Surety Bonds		240	
Office Equipment		3,412	
Total Property Assessor's Office			160,351

County Trustee's Office

County Official/Administrative Officer	\$	49,469
Deputy(ies)		21,354
Clerical Personnel		19,559
Part-time Personnel		12,766
Data Processing Services		4,476

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Legal Notices, Recording and Court Costs	\$	147	
Travel		1,596	
Office Supplies		1,909	
Office Equipment		918	
Total County Trustee's Office			\$ 112,194

County Clerk's Office

County Official/Administrative Officer	\$	49,469	
Deputy(ies)		19,060	
Secretary(s)		19,777	
Clerical Personnel		55,122	
Data Processing Services		12,772	
Printing, Stationery and Forms		3,171	
Travel		672	
Office Supplies		3,339	
Office Equipment		9,000	
Total County Clerk's Office			172,382

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		111,884	
Part-time Personnel		14,605	
Jury and Witness Fees		14,058	
Data Processing Services		7,781	
Legal Notices, Recording and Court Costs		118	
Maintenance & Repair Services- Office Equipment		1,940	
Travel		588	
Office Supplies		5,229	
Office Equipment		2,400	
Total Circuit Court			206,572

General Sessions Court

Judge(s)	\$	66,158
Guidance Personnel		47,969
Salary Supplements		1,500
Secretary(s)		21,267
Travel		2,885
Other Contracted Services		4,378
Library Books/Media		1,354

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Office Supplies	\$	419	
Office Equipment		361	
Total General Sessions Court			\$ 146,291

Chancery Court

County Official/Administrative Officer	\$	49,469	
Assistant(s)		20,499	
Deputy(ies)		19,293	
Part-time Personnel		2,527	
Data Processing Services		6,265	
Legal Notices, Recording and Court Costs		352	
Travel		1,236	
Office Supplies		5,868	
Office Equipment		933	
Total Chancery Court			106,442

Judicial Commissioners

Part-time Personnel	\$	301	
Other Salaries & Wages		13,844	
Travel		648	
Total Judicial Commissioners			14,793

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	52,765	
Deputy(ies)		457,141	
Salary Supplements		7,781	
Dispatchers/Radio Operators		138,714	
Secretary(s)		20,454	
Clerical Personnel		17,593	
Overtime Pay		9,935	
Other Salaries & Wages		33,588	
In-Service Training		8,384	
Data Processing Services		6,342	
Legal Services		12	
Maintenance & Repair Services- Vehicles		11,856	
Matching Share		20,000	
Medical and Dental Services		45	
Postal Charges		76	
Travel		21	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Gasoline	\$	49,765	
Law Enforcement Supplies		28,756	
Office Supplies		5,152	
Tires and Tubes		6,179	
Uniforms		9,455	
Other Supplies and Materials		500	
Premiums on Corporate Surety Bonds		911	
Motor Vehicles		74,598	
Total Sheriff's Department			\$ 960,023

Jail

Guards	\$	162,747	
Overtime Pay		7,815	
Other Salaries & Wages		32,334	
Legal Services		11	
Maintenance & Repair Services- Buildings		5,339	
Medical and Dental Services		92,955	
Custodial Supplies		5,642	
Drugs and Medical Supplies		35,835	
Food Preparation Supplies		243	
Food Supplies		58,602	
Office Supplies		363	
Prisoners Clothing		358	
Other Supplies and Materials		100	
Data Processing Equipment		10	
Office Equipment		361	
Total Jail			402,715

Fire Prevention and Control

Contracts with Government Agencies	\$	2,000	
Total Fire Prevention and Control			2,000

Civil Defense

Supervisor/Director	\$	44,290	
Operating Lease Payments		600	
Maintenance & Repair Services- Equipment		17,088	
Maintenance & Repair Services- Vehicles		4,692	
Drugs and Medical Supplies		355	
Other Supplies and Materials		76,592	
Communication Equipment		8,270	
Total Civil Defense			151,887

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 10,000	
Total Rescue Squad		\$ 10,000

County Coroner/Medical Examiner

Medical Personnel	\$ 6,922	
Other Contracted Services	10,560	
Premiums on Corporate Surety Bonds	200	
Total County Coroner/Medical Examiner		17,682

Public Health and Welfare

Local Health Center

Contributions	\$ 44,231	
Maintenance & Repair Services- Office Equipment	91	
Office Supplies	467	
Other Supplies and Materials	451	
Office Equipment	7,491	
Total Local Health Center		52,731

Other Local Health Services

Medical Personnel	\$ 105,050	
Educational Assistants	39,828	
Travel	14,382	
Food Service Equipment	1,348	
Total Other Local Health Services		160,608

Regional Mental Health Center

Contributions	\$ 12,000	
Total Regional Mental Health Center		12,000

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$ 5,000	
Total Senior Citizens Assistance		5,000

Other Social, Cultural and Recreational

Contributions	\$ 6,280	
Total Other Social, Cultural and Recreational		6,280

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Contributions	\$	39,081	
Custodial Supplies		97	
Office Supplies		1,532	
Total Agriculture Extension Service			\$ 40,710

Soil Conservation

Secretary(s)	\$	23,626	
Contributions		3,000	
Total Soil Conservation			26,626

Other Operations

Tourism

Contributions	\$	200	
Total Tourism			200

Industrial Development

Contributions	\$	51,890	
Total Industrial Development			51,890

Other Economic and Community Development

Other Charges	\$	1,303	
Total Other Economic and Community Development			1,303

Veterans' Services

Other Supplies and Materials	\$	248	
Total Veterans' Services			248

Other Charges

Consultants	\$	9,900	
Liability Insurance		244,163	
Trustee's Commission		85,764	
Workers' Compensation Insurance		103,386	
Total Other Charges			443,213

Employee Benefits

Social Security	\$	166,776	
State Retirement		209,658	
Life Insurance		22,799	
Medical Insurance		318,257	
Unemployment Compensation		10,738	
Total Employee Benefits			728,228

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Contracts with Government Agencies	\$	11,460	
Contributions		50,500	
Dues and Memberships		8,675	
Postal Charges		32,341	
Other Supplies and Materials		95	
Other Charges		170	
Total Miscellaneous			\$ 103,241

Highways

Litter and Trash Collection

Assistant(s)	\$	3,600	
Supervisor/Director		19,104	
Advertising		1,044	
Communication		1,283	
Maintenance & Repair Services- Vehicles		6,260	
Gasoline		3,059	
Instructional Supplies and Materials		5,395	
Other Supplies and Materials		42	
Total Litter and Trash Collection			39,787

Support Services

Adult Programs

Contracts with Private Agencies	\$	34,014	
Total Adult Programs			34,014

Principal

General Government

Principal on Capitalized Leases	\$	43,749	
Total General Government			43,749

Interest

General Government

Interest on Capitalized Leases	\$	4,537	
Total General Government			4,537

Total General Fund \$ 5,106,688

(Continued)

Exhibit I-7

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

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Deputy(ies)	\$	25,000	
Medical Personnel		370,305	
Part-time Personnel		55,044	
Overtime Pay		68,035	
In-Service Training		11,650	
Other Per Diem & Fees		117	
Social Security		37,518	
State Retirement		46,612	
Medical Insurance		72,264	
Dues and Memberships		160	
Laundry Service		8,306	
Maintenance & Repair Services- Buildings		834	
Maintenance & Repair Services- Equipment		836	
Maintenance & Repair Services- Vehicles		54,988	
Travel		590	
Other Contracted Services		12,728	
Custodial Supplies		1,579	
Diesel Fuel		26,724	
Drugs and Medical Supplies		24,619	
Office Supplies		4,155	
Tires and Tubes		4,277	
Uniforms		3,394	
Other Supplies and Materials		51	
Trustee's Commission		6,953	
Other Charges		178	
Motor Vehicles		95,200	
Total Ambulance/Emergency Medical Services		<u>932,117</u>	\$ 932,117
Total Ambulance Service Fund			\$ 932,117

Drug Control Fund

Public Safety

Sheriff's Department

Law Enforcement Supplies	\$	<u>2,800</u>	
Total Sheriff's Department			<u>\$ 2,800</u>
Total Drug Control Fund			2,800

(Continued)

Exhibit I-7

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

Adequate Facilities/Development Tax Fund

General Government

Building

Trustee's Commission	\$ 2,203	
Total Building		\$ 2,203

Total Adequate Facilities/Development Tax Fund \$ 2,203

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court Clerk

Bank Charges	\$ 26	
Total Circuit Court Clerk		\$ 26

Total Constitutional Officers - Fees Fund 26

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 54,270	
Salary Supplements	375	
Secretary(s)	24,430	
Overtime Pay	2,874	
Board and Committee Members Fees	6,400	
In-Service Training	1,615	
Contributions	500	
Data Processing Services	300	
Dues and Memberships	2,335	
Legal Notices, Recording and Court Costs	315	
Travel	4,622	
Other Contracted Services	3,044	
Office Supplies	888	
Total Administration		\$ 101,968

Highway and Bridge Maintenance

Foremen	\$ 163,852
Equipment Operators	290,940
Laborers	187,677
Overtime Pay	25,881
Explosive and Drilling Services	550
Asphalt - Cold Mix	12,623
Asphalt - Liquid	170,922
Crushed Stone	129,012

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

General Construction Materials	\$	2,887	
Other Road Supplies		29,170	
Pipe		14,668	
Road Signs		8,583	
Salt		9,900	
Small Tools		1,792	
Wood Products		3,181	
Total Highway and Bridge Maintenance			\$ 1,051,638

Operation and Maintenance of Equipment

Foremen	\$	25,397	
Mechanic(s)		22,378	
Overtime Pay		1,192	
Laundry Service		5,012	
Diesel Fuel		88,400	
Equipment and Machinery Parts		92,740	
Garage Supplies		38,259	
Gasoline		16,724	
Lubricants		11,309	
Tires and Tubes		47,437	
Total Operation and Maintenance of Equipment			348,848

Other Charges

Communication	\$	4,946	
Electricity		3,371	
Water and Sewer		3,576	
Liability Insurance		27,816	
Trustee's Commission		23,405	
Total Other Charges			63,114

Employee Benefits

Social Security	\$	58,373	
State Retirement		87,780	
Employee and Dependent Insurance		222,331	
Unemployment Compensation		8,581	
Workers' Compensation Insurance		84,452	
Other Charges		7,772	
Total Employee Benefits			469,289

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Bridge Construction	\$	140,072	
Communication Equipment		898	
Highway Construction		417,525	
Highway Equipment		30,100	
Total Capital Outlay			\$ 588,595

Total Highway/Public Works Fund \$ 2,623,452

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	400,000	
Principal on Notes		487,865	
Principal on Other Loans Payable		171,000	
Total General Government			\$ 1,058,865

Highways and Streets

Principal on Notes	\$	237,213	
Total Highways and Streets			237,213

Education

Principal on Bonds	\$	425,000	
Principal on Notes		11,103	
Total Education			436,103

Interest

General Government

Interest on Bonds	\$	30,100	
Interest on Notes		19,593	
Interest on Other Loans Payable		27,646	
Total General Government			77,339

Highways and Streets

Interest on Notes	\$	28,080	
Total Highways and Streets			28,080

Education

Interest on Bonds	\$	75,712	
Interest on Other Loans Payable		14,127	
Total Education			89,839

(Continued)

Exhibit I-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 26,206	
Other Debt Service	<u>6,552</u>	
Total General Government		\$ 32,758

Education

Other Debt Service	\$ 20,495	
Total Education		<u>20,495</u>

Total General Debt Service Fund \$ 1,980,692

Education Debt Service Fund

Principal

Education

Principal on Other Loans Payable	\$ 368,000	
Total Education		\$ 368,000

Interest

Education

Interest on Other Loans Payable	\$ 143,742	
Total Education		143,742

Other Debt Service

General Government

Trustee's Commission	\$ 3,029	
Total General Government		3,029

Education

Other Debt Service	\$ 25,459	
Total Education		<u>25,459</u>

Total Education Debt Service Fund 540,230

General Capital Projects Fund

General Government

Building

Other Contracted Services	\$ 6,748	
Total Building		\$ 6,748

(Continued)

Exhibit I-7

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

General Capital Projects Fund (Cont.)

Social, Cultural and Recreational Services

Other Social, Cultural and Recreational

Building Improvements	\$ 1,543	
Site Development	<u>875</u>	
Total Other Social, Cultural and Recreational		\$ 2,418

Capital Projects

Highway & Street Capital Projects

Bridge Construction	\$ <u>8,656</u>	
Total Highway & Street Capital Projects		8,656

Education Capital Projects

Architects	\$ 352,418	
Other Debt Issuance Charges	297,000	
Building Construction	<u>718,706</u>	
Total Education Capital Projects		<u>1,368,124</u>

Total General Capital Projects Fund \$ 1,385,946

Total Governmental Funds - Primary Government \$ 12,574,154

Hickman County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Solid Waste Disposal Fund (Enterprise Fund)  
For the Year Ended June 30, 2005

	Proprietary Fund Type
	Solid Waste Disposal Fund
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Service Charges</u>	
Commercial and Industrial Waste Collections	\$ 99,338
Residential Waste Collection Charge	79,043
Tipping Fees	15,934
Solid Waste Disposal Fee	679,696
Total Charges for Current Services	<u>\$ 874,011</u>
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Lease/Rentals	\$ 1,271
Sale of Recycled Materials	44,465
Total Other Local Revenues	<u>\$ 45,736</u>
Total Operating Revenues	<u>\$ 919,747</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 10,105
Solid Waste Grants	15,057
Contribution from County General Fund	4,860
Total Nonoperating Revenues	<u>\$ 30,022</u>
Total Revenues	<u>\$ 949,769</u>

(Continued)

Hickman County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Solid Waste Disposal Fund (Enterprise Fund) (Cont.)

	Proprietary Fund Type
	Solid Waste Disposal Fund
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Sanitation Management</u>	
Supervisor/Director	\$ 35,940
Deputies	21,201
Data Processing Personnel	19,270
Equipment Operators	20,546
Equipment Operators - Heavy	26,469
Laborers	86,642
Clerical Personnel	18,061
Part-time Personnel	4,321
Overtime Pay	2,083
Social Security	17,500
State Retirement	21,109
Medical Insurance	33,969
Advertising	168
Communication	6,625
Data Processing Services	6,500
Debt Collection Services	12,024
Maintenance and Repair Services - Buildings	3,350
Maintenance and Repair Services - Equipment	13,517
Maintenance and Repair Services - Vehicles	17
Pest Control	315
Postal Charges	2,587
Printing, Stationery and Forms	566
Rentals	780
Travel	539
Disposal Fees	333,540
Other Contracted Services	650
Custodial Supplies	767
Diesel Fuel	13,486

(Continued)

Hickman County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Solid Waste Disposal Fund (Enterprise Fund) (Cont.)

	Proprietary Fund Type
	<u>Solid Waste Disposal Fund</u>
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Sanitation Management (Cont.)</u>	
Electricity	\$ 7,933
Gasoline	1,417
Lubricants	142
Office Supplies	1,859
Other Road Supplies	17
Tires and Tubes	4,967
Uniforms	4,120
Utilities	479
Wire	1,690
Testing	2,525
Other Supplies and Materials	1,469
Trustee's Commission	9,091
Depreciation	38,405
Surcharge	4,000
Landfill Closure/Postclosure Care Costs	35,672
Other Charges	157
Office Equipment	1,864
Total Sanitation Management	<u>\$ 818,349</u>
Total Operating Expenses	<u>\$ 818,349</u>
 <u>Nonoperating Expenses</u>	
<u>General Government Debt Service</u>	
Interest on Note	<u>\$ 11,154</u>
Total Nonoperating Expenses	<u>\$ 11,154</u>
Total Expenses	<u><u>\$ 829,503</u></u>

Exhibit I-9

Hickman 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	\$ 584,075
Total Cash Receipts	<u>\$ 584,075</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 632,198
Trustee's Commission	5,841
Total Cash Disbursements	<u>\$ 638,039</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ (53,964)
Cash Balance, July 1, 2004	<u>53,964</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

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

Year	Amount
1995	\$ 8,851
1996	9,868
1997	10,738
1998	11,745
1999	16,366
2000	22,524
2001	29,573
2002	34,845
2003	107,826
2004	13,056
Total	\$ 265,392

Table 2

Hickman County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.87	\$ 0.85	\$ 0.87	\$ 0.92	\$ 0.93	\$ 0.78	\$ 0.88	\$ 0.97	\$ 0.97	1.34
Highway/Public Works	0.09	0.09	0.09	0.09	0.07	0.06	0.06	0.06	0.06	0.08
General Purpose School	1.66	1.66	1.66	1.66	1.22	1.22	1.22	1.22	1.22	1.05
General Debt Service	0.46	0.48	0.46	0.41	0.33	0.49	0.39	0.39	0.39	0.33
<b>Total Tax Rate</b>	<b>\$ 3.08</b>	<b>\$ 3.08</b>	<b>\$ 3.08</b>	<b>\$ 3.08</b>	<b>\$ 2.55</b>	<b>\$ 2.55</b>	<b>\$ 2.55</b>	<b>\$ 2.64</b>	<b>\$ 2.64</b>	<b>2.80</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 114,446,537	\$ 117,971,841	\$ 121,688,368	\$ 124,917,345	\$ 174,775,919	\$ 180,993,028	\$ 187,348,680	\$ 193,010,700	\$ 199,638,508	\$ 232,030,482
Public Utilities	19,909,994	16,987,910	15,238,248	12,093,191	19,434,797	20,929,216	17,880,782	18,517,459	17,393,227	23,611,512
<b>Total Assessed Valuation</b>	<b>\$ 134,356,531</b>	<b>\$ 134,959,751</b>	<b>\$ 136,926,616</b>	<b>\$ 137,010,536</b>	<b>\$ 194,210,716</b>	<b>\$ 201,922,244</b>	<b>\$ 205,229,462</b>	<b>\$ 211,528,159</b>	<b>\$ 217,031,735</b>	<b>\$ 255,641,994</b>

**ANNUAL FINANCIAL REPORT**  
**HICKMAN COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF HICKMAN 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*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*JERRY DURHAM, CPA, CGFM, CFE*  
*Auditor 4*

*RHONDA DAVIS, CFE*  
*TIM BRASHEARS*  
*ROBIN BATES, CFE*  
*WENDY HEATH, CFE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**HICKMAN COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF HICKMAN COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Hickman County School Department  
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 the Hickman County School Department as of and for the year ended June 30, 2005.

## ***Results***

Our report on the Hickman County School Department'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 five findings and recommendations, which we have reviewed with Hickman County School Department's management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **HICKMAN COUNTY SCHOOL DEPARTMENT**

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

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### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Bids were not solicited for the purchase of copy machine paper.
- ◆ The actual fund balances and reserves at July 1, 2004, exceeded the estimated fund balances and reserves reflected in the county's budget in the General Purpose School and Central Cafeteria Funds by \$1,837,817 and \$407,424, respectively.
- ◆ The Central Cafeteria Fund's cash balance at June 30, 2005, exceeded the allowable amount established by the U. S. Office of Management and Budget by \$508,090.
- ◆ The Board of Education had an unwritten policy that defeated the purpose of competitive bidding by giving preference to local vendors.

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

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# INTRODUCTORY SECTION

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Hickman County School Officials  
June 30, 2005

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Official:

Jerry Nash, Director of Schools

Board of Education:

Wayne Thomasson, Chairman  
Jackie Deitmen  
Dwight Sullivan  
Pat Smith

Jewell Prince  
Steven Armstrong  
Doyle Totty

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**FINANCIAL SECTION**

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**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**

October 3, 2005

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Hickman County School Department, a component unit of Hickman County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 24, which collectively comprise a portion of the Hickman County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hickman 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 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. 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 School Department's governmental activities are not reasonably determinable.

As described in Note I, the Hickman County School Department 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 school departments 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 matters 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 the Hickman County School Department 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 the Hickman County School Department 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 October 3, 2005, on our consideration of the Hickman County School Department'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., the Hickman County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 29 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 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 Hickman County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the 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,

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/rd

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,496	\$ 2,496
Equity in Pooled Cash and Investments	6,009,184	1,071,785	7,080,969
Due from Other Governments	262,080	0	262,080
Property Taxes Receivable	2,954,496	0	2,954,496
Allowance for Uncollectible Property Taxes	(264,955)	0	(264,955)
Total Assets	<u>\$ 8,960,805</u>	<u>\$ 1,074,281</u>	<u>\$ 10,035,086</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Deferred Revenue - Current Property Taxes	\$ 2,554,569	\$ 0	\$ 2,554,569
Deferred Revenue - Delinquent Property Taxes	121,701	0	121,701
Other Deferred Revenues	111,613	0	111,613
Total Liabilities	<u>\$ 2,787,883</u>	<u>\$ 0</u>	<u>\$ 2,787,883</u>
<u>Fund Balances</u>			
Other Local Education Reserves	\$ 15,001	\$ 0	\$ 15,001
Reserved for Career Ladder - Extended Contract	17,084	0	17,084
Reserved for Basic Education Program	732,736	0	732,736
Reserved for Title I Grants to Local Education Agencies	0	105,780	105,780
Reserved for Innovative Education Program Strategies	0	1,645	1,645
Reserved for Special Education - Grants to States	0	16,112	16,112
Other Federal Reserves	0	24,995	24,995
Unreserved, Reported In:			
General Fund	5,408,101	0	5,408,101
Special Revenue Funds	0	925,749	925,749
Total Fund Balances	<u>\$ 6,172,922</u>	<u>\$ 1,074,281</u>	<u>\$ 7,247,203</u>
Total Liabilities and Fund Balances	<u>\$ 8,960,805</u>	<u>\$ 1,074,281</u>	<u>\$ 10,035,086</u>

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

Exhibit B

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

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,893,968	\$ 0	\$ 3,893,968
Licenses and Permits	1,777	0	1,777
Charges for Current Services	98,105	760,199	858,304
Other Local Revenues	138,639	7,786	146,425
State of Tennessee	16,880,388	0	16,880,388
Federal Government	304,408	2,771,610	3,076,018
Total Revenues	<u>\$ 21,317,285</u>	<u>\$ 3,539,595</u>	<u>\$ 24,856,880</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 13,353,666	\$ 1,425,112	\$ 14,778,778
Support Services	6,261,090	458,181	6,719,271
Operation of Non-Instructional Services	158,675	1,392,196	1,550,871
Capital Outlay	820,000	0	820,000
Total Expenditures	<u>\$ 20,593,431</u>	<u>\$ 3,275,489</u>	<u>\$ 23,868,920</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 723,854</u>	<u>\$ 264,106</u>	<u>\$ 987,960</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 42,930	\$ 0	\$ 42,930
Transfers Out	0	(42,930)	(42,930)
Total Other Financing Sources (Uses)	<u>\$ 42,930</u>	<u>\$ (42,930)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 766,784	\$ 221,176	\$ 987,960
Fund Balance, July 1, 2004	5,406,138	853,105	6,259,243
Fund Balance, June 30, 2005	<u>\$ 6,172,922</u>	<u>\$ 1,074,281</u>	<u>\$ 7,247,203</u>

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

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hickman County School Department'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.

The School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. 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. The School Department 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 the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department'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 the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Hickman County elect its board. The School Department is a component unit of Hickman County, the primary government. The School Department is fiscally dependent on Hickman 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.

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

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. 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 category.

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.

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 fund:

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

Additionally, the School Department reports the following fund type:

**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.

C. **Assets, Liabilities, and 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 Hickman County primary government funds and School Department funds. Each fund's portion of this pool is displayed on the balance sheet as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to Hickman County's General Debt Service Fund. Hickman 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 state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables**

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 three 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. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department 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, the School Department does not present government-wide statements.

**4. Compensated Absences**

The School Department permits professional personnel (teachers) to accumulate an unlimited amount of unused sick leave days. However, the granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. 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 specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005.

<u>Fund/Purpose</u>	<u>Amount</u>
General Purpose School:	
New high school construction	\$ 1,200,000
Other costs for new high school	412,623
Capital outlay for school	2,600,000

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**The Actual Fund Balances and Reserves Exceeded Estimated Beginning Fund Balances and Reserves by Material Amounts**

The actual fund balance and reserves in the General Purpose School Fund was \$5,406,138 at July 1, 2004; however, the estimated fund balance and reserves reflected in the county's budget was \$3,568,321. Therefore, the actual fund balance and reserves was \$1,837,817 more than the estimated

fund balance and reserves presented to the County Commission during the budget approval process.

The actual fund balance in the Central Cafeteria Fund was \$749,935 at July 1, 2004; however, the estimated fund balance reflected in the county's budget was \$342,511. Therefore, the actual fund balance was \$407,424 more than the estimated fund balance presented to the County Commission during the budget approval process.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

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

#### **Deposits**

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

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

## Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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.

**Investment Balances.** As of June 30, 2005, Hickman County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hickman County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 9,376,033

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. The School Department has no investment policy that would further limit its investment choices. As of June 30, 2005,

Hickman County's investment in the State Treasurer's Investment Pool was unrated.

**B. Interfund Transfers**

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

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental fund	\$ 42,930

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 Purpose School Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**IV. OTHER INFORMATION**

**A. Risk Management**

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

The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. The School Department joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member

counties. The School Department pays an annual premium to the LGWCF for its workers' compensation coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

The School Department is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

**B. Accounting Change**

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. Contingent Liabilities**

The School Department is involved in several pending lawsuits. The School Department's attorney estimates that the potential claims against the School Department not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

**D. Retirement Commitments**

**Plan Description**

Employees of Hickman 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 Hickman 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](http://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 Hickman County School Department participates in Hickman County's plan, retirement information for the Hickman 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.I. of the Annual Financial Report of Hickman County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

The Hickman County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employers 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](http://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 Hickman 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 Hickman 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, \$592,202, \$355,847, and \$317,002, respectively, equal to the required contributions for each year.

### **E. Office of Central Accounting, Budgeting, and Purchasing**

The School Department operates under provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

**F. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws of The County Financial Management System of 1981, which provides for the finance director or a deputy appointed by her to serve as the purchasing agent. The finance director serves as the purchasing agent for Hickman County and the School Department. Purchases exceeding \$5,000 for the School Department are required to be competitively bid.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,893,968	\$ 3,937,265	\$ 3,937,265	\$ (43,297)
Licenses and Permits	1,777	1,400	1,400	377
Charges for Current Services	98,105	71,100	73,653	24,452
Other Local Revenues	138,639	69,000	67,000	71,639
State of Tennessee	16,880,388	16,096,600	16,176,938	703,450
Federal Government	304,408	241,700	280,709	23,699
Total Revenues	<u>\$ 21,317,285</u>	<u>\$ 20,417,065</u>	<u>\$ 20,536,965</u>	<u>\$ 780,320</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 10,706,612	\$ 10,950,700	\$ 10,950,700	\$ 244,088
Alternative Instruction Program	130,181	137,600	137,600	7,419
Special Education Program	1,668,810	1,695,900	1,695,900	27,090
Vocational Education Program	773,273	760,500	810,500	37,227
Adult Education Program	74,790	81,400	81,400	6,610
<u>Support Services</u>				
Attendance	98,679	102,900	102,900	4,221
Health Services	77,174	96,100	96,100	18,926
Other Student Support	777,078	780,800	810,900	33,822
Regular Instruction Program	720,103	933,300	932,500	212,397
Alternative Instruction Program	422	800	1,600	1,178
Special Education Program	99,611	101,300	101,300	1,689
Vocational Education Program	98,197	99,300	99,300	1,103
Adult Programs	71,957	78,600	79,000	7,043
Board of Education	347,240	355,700	355,700	8,460
Director of Schools	210,011	218,100	218,100	8,089
Office of the Principal	606,989	611,000	611,000	4,011
Operation of Plant	1,326,364	1,337,200	1,337,200	10,836
Maintenance of Plant	519,918	528,800	528,800	8,882
Transportation	1,116,065	1,145,200	1,140,200	24,135
Central and Other	191,282	140,000	193,500	2,218
<u>Operation of Non-Instructional Services</u>				
Food Service	23,499	19,800	23,500	1
Community Services	135,176	117,400	156,500	21,324
<u>Capital Outlay</u>				
Regular Capital Outlay	820,000	695,000	820,000	0
Total Expenditures	<u>\$ 20,593,431</u>	<u>\$ 20,987,400</u>	<u>\$ 21,284,200</u>	<u>\$ 690,769</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 723,854</u>	<u>\$ (570,335)</u>	<u>\$ (747,235)</u>	<u>\$ 1,471,089</u>

(Continued)

Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 42,930	\$ 139,000	\$ 139,000	\$ (96,070)
Transfers Out	0	(77,500)	(1,000)	1,000
Total Other Financing Sources (Uses)	\$ 42,930	\$ 61,500	\$ 138,000	\$ (95,070)
Net Change in Fund Balance	\$ 766,784	\$ (508,835)	\$ (609,235)	\$ 1,376,019
Fund Balance, July 1, 2004	5,406,138	3,568,321	3,568,321	1,837,817
Fund Balance, June 30, 2005	\$ 6,172,922	\$ 3,059,486	\$ 2,959,086	\$ 3,213,836

**HICKMAN COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF HICKMAN COUNTY, TENNESSEE  
NOTES TO THE 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. 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 Hickman 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: Instruction-Regular Instruction Program, Support Services-Attendance, and Operation of Non-Instructional Services-Food Service, etc.). Management may make revisions within major categories, but only the Hickman County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

The actual fund balance and reserves in the General Purpose School Fund were \$5,406,138 at July 1, 2004; however, the estimated fund balance and reserves reflected in the county's budget were \$3,568,321. Therefore, the actual fund balance and reserves were \$1,837,817 more than the estimated fund balance and reserves presented to the County Commission during the budget approval process.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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

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

Exhibit D-1

Hickman County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Hickman County School Department  
June 30, 2005

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,496	\$ 2,496
Equity in Pooled Cash and Investments	148,532	923,253	1,071,785
Total Assets	<u>\$ 148,532</u>	<u>\$ 925,749</u>	<u>\$ 1,074,281</u>
<u>FUND BALANCES</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 105,780	\$ 0	\$ 105,780
Reserved for Innovative Education Program Strategies	1,645	0	1,645
Reserved for Special Education - Grants to States	16,112	0	16,112
Other Federal Reserves	24,995	0	24,995
Unreserved	0	925,749	925,749
Total Fund Balances	<u>\$ 148,532</u>	<u>\$ 925,749</u>	<u>\$ 1,074,281</u>

Exhibit D-2

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 760,199	\$ 760,199
Other Local Revenues	0	7,786	7,786
Federal Government	1,971,585	800,025	2,771,610
Total Revenues	<u>\$ 1,971,585</u>	<u>\$ 1,568,010</u>	<u>\$ 3,539,595</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,425,112	\$ 0	\$ 1,425,112
Support Services	458,181	0	458,181
Operation of Non-Instructional Services	0	1,392,196	1,392,196
Total Expenditures	<u>\$ 1,883,293</u>	<u>\$ 1,392,196</u>	<u>\$ 3,275,489</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 88,292</u>	<u>\$ 175,814</u>	<u>\$ 264,106</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (42,930)	\$ 0	\$ (42,930)
Total Other Financing Sources (Uses)	<u>\$ (42,930)</u>	<u>\$ 0</u>	<u>\$ (42,930)</u>
Net Change in Fund Balances	\$ 45,362	\$ 175,814	\$ 221,176
Fund Balance, July 1, 2004	103,170	749,935	853,105
Fund Balance, June 30, 2005	<u>\$ 148,532</u>	<u>\$ 925,749</u>	<u>\$ 1,074,281</u>

Exhibit D-3

Hickman County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Hickman County School Department  
School Federal Projects 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	\$ 0	\$ 0	\$ 60,666	\$ (60,666)
Federal Government	1,971,585	2,006,800	2,043,766	(72,181)
Total Revenues	<u>\$ 1,971,585</u>	<u>\$ 2,006,800</u>	<u>\$ 2,104,432</u>	<u>\$ (132,847)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 731,958	\$ 748,200	\$ 811,200	\$ 79,242
Special Education Program	612,141	536,300	652,314	40,173
Vocational Education Program	81,013	74,500	81,013	0
<u>Support Services</u>				
Other Student Support	10,014	25,800	25,800	15,786
Regular Instruction Program	217,560	285,400	254,047	36,487
Special Education Program	230,607	296,100	236,000	5,393
Total Expenditures	<u>\$ 1,883,293</u>	<u>\$ 1,966,300</u>	<u>\$ 2,060,374</u>	<u>\$ 177,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 88,292</u>	<u>\$ 40,500</u>	<u>\$ 44,058</u>	<u>\$ 44,234</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (42,930)	\$ (40,500)	\$ (44,058)	\$ 1,128
Total Other Financing Sources (Uses)	<u>\$ (42,930)</u>	<u>\$ (40,500)</u>	<u>\$ (44,058)</u>	<u>\$ 1,128</u>
Net Change in Fund Balance	\$ 45,362	\$ 0	\$ 0	\$ 45,362
Fund Balance, July 1, 2004	<u>103,170</u>	<u>103,170</u>	<u>103,170</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 148,532</u>	<u>\$ 103,170</u>	<u>\$ 103,170</u>	<u>\$ 45,362</u>

Exhibit D-4

Hickman County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Hickman 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	\$ 760,199	\$ 660,000	\$ 660,000	\$ 100,199
Other Local Revenues	7,786	3,500	3,500	4,286
Federal Government	800,025	640,000	640,000	160,025
Total Revenues	<u>\$ 1,568,010</u>	<u>\$ 1,303,500</u>	<u>\$ 1,303,500</u>	<u>\$ 264,510</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,392,196	\$ 1,551,300	\$ 1,551,300	\$ 159,104
Total Expenditures	<u>\$ 1,392,196</u>	<u>\$ 1,551,300</u>	<u>\$ 1,551,300</u>	<u>\$ 159,104</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 175,814</u>	<u>\$ (247,800)</u>	<u>\$ (247,800)</u>	<u>\$ 423,614</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 16,600	\$ 16,600	\$ (16,600)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 16,600</u>	<u>\$ 16,600</u>	<u>\$ (16,600)</u>
Net Change in Fund Balance	\$ 175,814	\$ (231,200)	\$ (231,200)	\$ 407,014
Fund Balance, July 1, 2004	<u>749,935</u>	<u>342,511</u>	<u>342,511</u>	<u>407,424</u>
Fund Balance, June 30, 2005	<u>\$ 925,749</u>	<u>\$ 111,311</u>	<u>\$ 111,311</u>	<u>\$ 814,438</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 42,930</u>
Total Transfers			<u><u>\$ 42,930</u></u>

Exhibit E-2

Hickman County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Official  
Hickman 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 Local Board of Education	\$ 86,500 (1)	\$ 150,000 (2)	Tennessee School Boards Risk Management Trust

(1) Includes \$1,000 chief executive training supplement.

(2) This is an employee blanket bond which covers all School Department employees.

Exhibit E-3

Hickman County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Hickman 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	\$ 2,484,150	\$ 0	\$ 0	\$ 2,484,150
Trustee's Collections - Prior Year	134,355	0	0	134,355
Circuit/Clerk & Master Collections - Prior Years	94,660	0	0	94,660
Interest and Penalty	25,623	0	0	25,623
Payments in Lieu of Taxes - T.V.A.	4,402	0	0	4,402
Payments in Lieu of Taxes - Local Utilities	6,000	0	0	6,000
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,110,941	0	0	1,110,941
Business Tax	23,740	0	0	23,740
<u>Statutory Local Taxes</u>				
Bank Excise Tax	3,000	0	0	3,000
Interstate Telecommunications Tax	7,097	0	0	7,097
<b>Total Local Taxes</b>	<b>\$ 3,893,968</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,893,968</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,777	\$ 0	\$ 0	\$ 1,777
<b>Total Licenses and Permits</b>	<b>\$ 1,777</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,777</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 34,699	\$ 0	\$ 0	\$ 34,699
Lunch Payments - Children	0	0	250,626	250,626
Lunch Payments - Adults	0	0	70,283	70,283
Income from Breakfast	0	0	52,822	52,822
A la carte Sales	0	0	386,468	386,468
School Based Health Services - FFS	3,912	0	0	3,912
Receipts from Individual Schools	56,085	0	0	56,085
Community Service Fees - Adults	625	0	0	625
TBI Criminal Background Fee	2,784	0	0	2,784
<b>Total Charges for Current Services</b>	<b>\$ 98,105</b>	<b>\$ 0</b>	<b>\$ 760,199</b>	<b>\$ 858,304</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 4,647	\$ 4,647
Lease/Rentals	100	0	0	100
Miscellaneous Refunds	48,649	0	838	49,487
<u>Nonrecurring Items</u>				
Insurance Recovery	46,534	0	0	46,534
Sale of Equipment	18,962	0	2,301	21,263
Damages Recovered from Individuals	2,087	0	0	2,087
Contributions & Gifts	5,325	0	0	5,325
<u>Other Local Revenues</u>				
Other Local Revenues	16,982	0	0	16,982
<b>Total Other Local Revenues</b>	<b>\$ 138,639</b>	<b>\$ 0</b>	<b>\$ 7,786</b>	<b>\$ 146,425</b>

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 16,105,596	\$ 0	\$ 0	\$ 16,105,596
School Food Service	19,935	0	0	19,935
Driver Education	12,360	0	0	12,360
Other State Education Funds	281,655	0	0	281,655
Career Ladder Program	184,960	0	0	184,960
Career Ladder - Extended Contract	93,744	0	0	93,744
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	168,330	0	0	168,330
Other State Grants	13,808	0	0	13,808
Total State of Tennessee	<u>\$ 16,880,388</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,880,388</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 586,884	\$ 586,884
Breakfast	0	0	213,141	213,141
Adult Education State Grant Program	74,563	0	0	74,563
Vocational Education - Basic Grants to States	0	82,513	0	82,513
Other Vocational	20,000	0	0	20,000
Title I Grants to Local Education Agencies	0	831,961	0	831,961
Innovative Education Program Strategies	0	19,478	0	19,478
Special Education - Grants to States	0	770,833	0	770,833
Special Education Preschool Grants	0	22,060	0	22,060
Eisenhower Professional Development State Grants	0	221,497	0	221,497
Other Federal through State	169,240	23,243	0	192,483
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	40,605	0	0	40,605
Total Federal Government	<u>\$ 304,408</u>	<u>\$ 1,971,585</u>	<u>\$ 800,025</u>	<u>\$ 3,076,018</u>
Total	<u>\$ 21,317,285</u>	<u>\$ 1,971,585</u>	<u>\$ 1,568,010</u>	<u>\$ 24,856,880</u>

Exhibit E-4

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,624,424	
Career Ladder Program	178,123	
Career Ladder Extended Contracts	94,498	
Homebound Teachers	13,255	
Educational Assistants	388,655	
Other Salaries & Wages	90,530	
Certified Substitute Teachers	123,628	
Social Security	552,808	
State Retirement	413,211	
Medical Insurance	1,062,434	
Other Fringe Benefits	1,052	
Maintenance & Repair Services- Equipment	49,815	
Instructional Supplies and Materials	395,178	
Textbooks	226,372	
Other Supplies and Materials	44,166	
Other Charges	415	
Regular Instruction Equipment	448,048	
Total Regular Instruction Program		\$ 10,706,612

Alternative Instruction Program

Other Salaries & Wages	\$ 97,871	
Social Security	6,926	
State Retirement	6,150	
Medical Insurance	12,100	
Other Contracted Services	5,640	
Instructional Supplies and Materials	486	
Other Supplies and Materials	1,008	
Total Alternative Instruction Program		130,181

Special Education Program

Teachers	\$ 1,098,633
Educational Assistants	58,510
Certified Substitute Teachers	40,275
Social Security	88,820
State Retirement	66,500
Medical Insurance	160,900
Contracts with Parents	3,407
Other Contracted Services	124,589
Instructional Supplies and Materials	19,701

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Special Education Equipment	\$ 7,475	
Total Special Education Program		\$ 1,668,810

Vocational Education Program

Teachers	\$ 559,033	
Educational Assistants	12,240	
Certified Substitute Teachers	5,893	
Social Security	42,710	
State Retirement	32,010	
Medical Insurance	73,000	
Travel	2,750	
Other Contracted Services	10,000	
Instructional Supplies and Materials	10,637	
Other Supplies and Materials	22,490	
Other Charges	1,760	
Vocational Instruction Equipment	750	
Total Vocational Education Program		773,273

Adult Education Program

Teachers	\$ 24,176	
Other Salaries & Wages	25,500	
Social Security	3,800	
State Retirement	2,921	
Medical Insurance	2,400	
Instructional Supplies and Materials	15,219	
Other Charges	774	
Total Adult Education Program		74,790

Support Services

Attendance

Supervisor/Director	\$ 59,433	
Other Salaries & Wages	16,667	
Social Security	5,607	
State Retirement	4,559	
Medical Insurance	7,100	
Travel	3,171	
Other Supplies and Materials	1,421	
Other Charges	721	
Total Attendance		98,679

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	52,856	
Social Security		4,096	
State Retirement		1,918	
Medical Insurance		9,700	
Other Contracted Services		2,341	
Drugs and Medical Supplies		2,742	
Other Supplies and Materials		1,606	
In Service/Staff Development		578	
Other Charges		103	
Health Equipment		1,234	
Total Health Services			\$ 77,174

Other Student Support

Guidance Personnel	\$	340,762	
Psychological Personnel		5,421	
Other Salaries & Wages		70,428	
Social Security		39,690	
State Retirement		28,598	
Medical Insurance		50,000	
Other Fringe Benefits		112,551	
Evaluation and Testing		24,552	
Travel		1,565	
Other Contracted Services		43,000	
Instructional Supplies and Materials		22,100	
Other Supplies and Materials		1,710	
In Service/Staff Development		2,767	
Other Charges		33,934	
Total Other Student Support			777,078

Regular Instruction Program

Supervisor/Director	\$	62,714
Librarians		265,189
Secretary(s)		100,166
Clerical Personnel		104,510
In-Service Training		7,301
Social Security		42,120
State Retirement		37,478
Medical Insurance		60,000
Maintenance & Repair Services- Equipment		1,612

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	1,848	
Library Books/Media		4,323	
Other Supplies and Materials		2,075	
In Service/Staff Development		27,651	
Other Charges		3,116	
Total Regular Instruction Program			\$ 720,103

Alternative Instruction Program

Travel	\$	422	
Total Alternative Instruction Program			422

Special Education Program

Supervisor/Director	\$	55,266	
Assessment Personnel		20,000	
Social Security		4,712	
State Retirement		3,372	
Medical Insurance		4,900	
Maintenance & Repair Services- Equipment		6,001	
Travel		5,360	
Total Special Education Program			99,611

Vocational Education Program

Supervisor/Director	\$	58,793	
Secretary(s)		12,240	
Social Security		5,356	
State Retirement		4,487	
Medical Insurance		6,100	
Maintenance & Repair Services- Equipment		5,769	
Travel		952	
Other Charges		4,500	
Total Vocational Education Program			98,197

Adult Programs

Supervisor/Director	\$	53,688	
In-Service Training		3,129	
Social Security		3,929	
State Retirement		2,953	
Medical Insurance		4,900	
Unemployment Compensation		400	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Travel	\$ 2,958	
Total Adult Programs		\$ 71,957

Board of Education

Board and Committee Members Fees	\$ 7,959	
In-Service Training	5,713	
Social Security	588	
Audit Services	10,241	
Dues and Memberships	14,372	
Legal Services	28,789	
Liability Insurance	90,000	
Premiums on Corporate Surety Bonds	385	
Trustee's Commission	103,001	
Workers' Compensation Insurance	80,000	
Refund to Applicant for Criminal Investigation	6,192	
Total Board of Education		347,240

Director of Schools

County Official/Administrative Officer	\$ 86,500	
Secretary(s)	46,500	
Other Salaries & Wages	21,160	
Social Security	11,052	
State Retirement	9,862	
Medical Insurance	7,500	
Communication	17,465	
Postal Charges	1,184	
Travel	3,299	
Office Supplies	554	
Other Charges	4,935	
Total Director of Schools		210,011

Office of the Principal

Principals	\$ 396,984	
Assistant Principals	59,029	
Social Security	34,141	
State Retirement	24,176	
Medical Insurance	40,000	
Travel	1,682	
Administration Equipment	50,977	
Total Office of the Principal		606,989

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Other Contracted Services	\$	409,546	
Custodial Supplies		8,340	
Electricity		651,149	
Natural Gas		109,617	
Water and Sewer		114,285	
Other Supplies and Materials		5,948	
Boiler Insurance		2,000	
Building and Contents Insurance		25,000	
Plant Operation Equipment		479	
Total Operation of Plant			\$ 1,326,364

Maintenance of Plant

Supervisor/Director	\$	18,858	
Secretary(s)		6,541	
Other Salaries & Wages		144,316	
Social Security		10,830	
State Retirement		14,187	
Maintenance & Repair Services- Buildings		144,267	
Maintenance & Repair Services- Equipment		44,998	
Other Contracted Services		125,110	
Equipment and Machinery Parts		947	
Gasoline		4,900	
Other Supplies and Materials		4,964	
Total Maintenance of Plant			519,918

Transportation

Supervisor/Director	\$	18,858	
Mechanic(s)		66,581	
Bus Drivers		439,085	
Secretary(s)		6,542	
Other Salaries & Wages		3,586	
Social Security		38,295	
State Retirement		50,896	
Medical Insurance		11,000	
Maintenance & Repair Services- Vehicles		3,570	
Other Contracted Services		4,471	
Diesel Fuel		110,244	
Equipment and Machinery Parts		2,671	
Garage Supplies		2,069	

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Gasoline	\$	18,578	
Lubricants		5,998	
Tires and Tubes		23,554	
Vehicle Parts		42,546	
Vehicle and Equipment Insurance		15,000	
Other Charges		22,521	
Transportation Equipment		230,000	
Total Transportation			\$ 1,116,065

Central and Other

Medical Insurance	\$	85,263	
Unemployment Compensation		4,198	
Other Fringe Benefits		43,321	
Contributions		58,500	
Total Central and Other			191,282

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	20,000	
Social Security		1,206	
Travel		300	
In Service/Staff Development		1,993	
Total Food Service			23,499

Community Services

Supervisor/Director	\$	46,200	
Part-time Personnel		21,774	
Other Salaries & Wages		13,980	
Social Security		5,790	
State Retirement		6,620	
Medical Insurance		3,600	
Travel		1,301	
Other Supplies and Materials		23,507	
In Service/Staff Development		99	
Other Charges		10,715	
Other Equipment		1,590	
Total Community Services			135,176

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 820,000	
Total Regular Capital Outlay		\$ 820,000

Total General Purpose School Fund \$ 20,593,431

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 482,333	
Educational Assistants	13,010	
Social Security	37,136	
State Retirement	27,533	
Medical Insurance	79,800	
Unemployment Compensation	2,900	
Maintenance & Repair Services- Equipment	10,000	
Other Contracted Services	2,500	
Instructional Supplies and Materials	50,938	
In Service/Staff Development	25,808	
Total Regular Instruction Program		\$ 731,958

Special Education Program

Teachers	\$ 46,548	
Educational Assistants	281,420	
Other Salaries & Wages	1,565	
Social Security	25,459	
State Retirement	29,364	
Medical Insurance	33,025	
Unemployment Compensation	4,643	
Tuition	7,449	
Other Contracted Services	118,151	
Instructional Supplies and Materials	31,110	
Special Education Equipment	33,407	
Total Special Education Program		612,141

Vocational Education Program

Educational Assistants	\$ 17,775
Social Security	1,360
State Retirement	1,820
Medical Insurance	1,800

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Unemployment Compensation	\$	100	
Travel		1,200	
Other Contracted Services		2,106	
Other Supplies and Materials		11,779	
Vocational Instruction Equipment		43,073	
Total Vocational Education Program			\$ 81,013

Support Services

Other Student Support

Other Salaries & Wages	\$	7,595	
Social Security		539	
Other Charges		1,880	
Total Other Student Support			10,014

Regular Instruction Program

Supervisor/Director	\$	58,035	
Secretary(s)		15,500	
Other Salaries & Wages		15,661	
In-Service Training		5,206	
Social Security		6,717	
State Retirement		4,516	
Medical Insurance		6,900	
Unemployment Compensation		400	
Consultants		1,770	
Travel		6,711	
Library Books/Media		2,233	
Other Supplies and Materials		19,317	
In Service/Staff Development		64,840	
Other Charges		9,754	
Total Regular Instruction Program			217,560

Special Education Program

Supervisor/Director	\$	5,300	
Assessment Personnel		146,423	
Clerical Personnel		18,500	
Other Salaries & Wages		35,700	
Social Security		4,528	
State Retirement		4,456	
Medical Insurance		3,600	

(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	600	
Consultants		4,000	
Maintenance & Repair Services- Equipment		4,500	
Other Contracted Services		3,000	
Total Special Education Program			\$ 230,607

Total School Federal Projects Fund \$ 1,883,293

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	6,000	
Accountants/Bookkeepers		96,028	
Cafeteria Personnel		362,500	
Social Security		35,076	
State Retirement		37,795	
Medical Insurance		25,000	
Communication		2,310	
Maintenance & Repair Services- Equipment		26,455	
Transportation - Other than Students		7,680	
Travel		1,306	
Other Contracted Services		10,241	
Food Supplies		681,753	
Utilities		3,143	
Other Supplies and Materials		52,151	
Other Charges		21,792	
Food Service Equipment		22,966	
Total Food Service			\$ 1,392,196

Total Central Cafeteria Fund 1,392,196

Total Governmental Funds - Hickman County School Department \$ 23,868,920

**ANNUAL FINANCIAL REPORT**  
**HICKMAN COUNTY HEALTH FOUNDATION**  
**A COMPONENT UNIT OF HICKMAN 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***

***JEFF BAILEY, CPA, CGFM, CFE***  
***Audit Manager***

***JERRY DURHAM, CPA, CGFM, CFE***  
***Auditor 4***

***RHONDA DAVIS, CFE***  
***TIM BRASHEARS***  
***ROBIN BATES, CFE***  
***WENDY HEATH, CFE***  
***State Auditors***

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**HICKMAN COUNTY HEALTH FOUNDATION  
A COMPONENT UNIT OF HICKMAN COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Hickman County Health Foundation  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of the governmental activities and the major fund of Hickman County Health Foundation as of and for the year ended June 30, 2005.

## ***Results***

Our report on Hickman County Health Foundation's financial statements expresses an unqualified opinion and resulted in no findings and recommendations.

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

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# INTRODUCTORY SECTION

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Hickman County Health Foundation Officials  
June 30, 2005

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Board of Directors

Lynette Harris, Chairman  
Jack Keller  
Mickey Bunn  
Charles Booker

Frankye Ward  
Betty Holland  
Charles List

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**FINANCIAL SECTION**

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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

October 3, 2005

Hickman County Health Foundation  
Hickman County, Tennessee

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hickman County Health Foundation, a component unit of Hickman County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 9 through 14, which collectively comprise the Hickman County Health Foundation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hickman County Health Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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

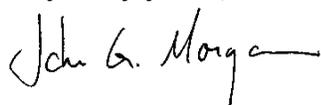
In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2005, on our consideration of the Hickman County Health Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 V.A., the Hickman County Health Foundation 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 risk.

The management of the Hickman County Health Foundation 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hickman County Health Foundation's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Hickman County, Tennessee  
Statement of Net Assets and Governmental Fund Balance Sheet  
Hickman County Health Foundation  
June 30, 2005

	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash	\$ 2,075,670	\$ 0	\$ 2,075,670
Total Assets	<u>\$ 2,075,670</u>	<u>\$ 0</u>	<u>\$ 2,075,670</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance:			
Unreserved	\$ 2,075,670	\$ (2,075,670)	\$ 0
Total Fund Balance	<u>\$ 2,075,670</u>	<u>\$ (2,075,670)</u>	<u>\$ 0</u>
Total Fund Balance	<u>\$ 2,075,670</u>		
Net Assets:			
Unrestricted		<u>\$ 2,075,670</u>	<u>\$ 2,075,670</u>
Total Net Assets		<u>\$ 2,075,670</u>	<u>\$ 2,075,670</u>

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

Exhibit B

Hickman County, Tennessee  
Statement of Activities and Governmental Fund Revenues, Expenditures  
and Changes in Fund Balance  
Hickman County Health Foundation  
For the Year Ended June 30, 2005

	General Fund	Adjustments	Statement of Activities
<hr/>			
Expenditures/Expenses:			
Public Health and Welfare:			
Ambulance/Emergency Medical Services	\$ 16,329	\$ 0	\$ 16,329
Other Public Health and Welfare	31,751	0	31,751
	<hr/>		
Total Expenditures/Expenses	\$ 48,080	\$ 0	\$ 48,080
	<hr/>		
Program Revenues:			
Operating Grants and Contributions:			
Public Health and Welfare	\$ 100,000	\$ 0	\$ 100,000
	<hr/>		
Net Program Expense			<u>\$ (51,920)</u>
General Revenues:			
Investment Income	45,354	0	45,354
	<hr/>		
Total General Revenues	\$ 45,354	\$ 0	\$ 45,354
	<hr/>		
Excess of Revenues over Expenditures	\$ 97,274	\$ (97,274)	\$ 0
Change in Net Assets	0	97,274	97,274
Fund Balance/Net Assets:			
July 1, 2004	1,978,396	0	1,978,396
June 30, 2005	<u>\$ 2,075,670</u>	<u>\$ 0</u>	<u>\$ 2,075,670</u>

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

**HICKMAN COUNTY HEALTH FOUNDATION  
A COMPONENT UNIT OF HICKMAN COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hickman County Health Foundation'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 foundation:

**A. Reporting Entity**

The foundation was created pursuant to a lawsuit settlement agreement related to the sale of the Hickman County Hospital. The purpose of the foundation is to promote and advance the health, medical care, general well being, and quality of life for residents of Hickman County. The foundation is a Section 501(c)(3) nonprofit corporation and a component unit of Hickman County, the primary government. The foundation is governed by a seven-member board appointed by the Hickman County Commission. The foundation is funded primarily from contributions from Baptist Hospital and interest earnings and is accounted for in a single governmental fund.

**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 foundation.

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. Other items not properly included among program revenues are reported instead as general revenues.

**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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 foundation 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 foundation 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.

Interest is considered to be susceptible to accrual and has been recognized as revenue of the current period. All other revenue items are considered to be measurable and available only when the foundation receives cash.

The foundation reports the following governmental fund:

**General Fund** – This is the foundation’s only operating fund. It accounts for all financial resources of the foundation.

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.

When both restricted and unrestricted resources are available for use, it is the foundation’s policy to use restricted revenues first, then unrestricted revenues as they are needed.

**D. Assets and Net Assets or Equity**

**1. Deposits**

Cash consisted entirely of demand deposits and certificates of deposit.

**2. 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 balances 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.

In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available appropriation or are legally restricted by outside parties for use for a specific purpose. The foundation had no reservations of fund balance at year-end.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Hickman County Health Foundation did not have capital assets, debt, and accruals or deferrals to report; therefore, the only reconciling items from the governmental fund financial statements to the government-wide financial statements were reclassifications and are noted on the face of the basic financial statements.

## III. STEWARDSHIP AND ACCOUNTABILITY

As previously noted, the foundation was created pursuant to a lawsuit settlement agreement related to the sale of the Hickman County Hospital. During the fiscal year ended June 30, 1999, the Hickman County Health Foundation received net funds related to the sale of the Hickman County Hospital to Baptist Hospital. The settlement agreement required these funds to be used for health-related projects in Hickman County and administered by a Board of Directors. In addition to the initial amounts paid, Baptist Hospital agreed to make annual contributions of \$100,000 per year to the foundation for 15 years. The foundation agreed to pay Baptist Hospital \$37,500 for the first five years and \$20,000 for each of the next ten years for indigent care. The Hickman County Finance Office maintains the books and records of the foundation in a separate governmental fund at no cost to the foundation.

## IV. DETAILED NOTES

### Deposits

**Legal Provisions.** All deposits with financial institution 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 exposure.

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.

V. **OTHER INFORMATION**

A. **Accounting Change**

During the year the Health Foundation adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure. 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.

B. **Contingent Liabilities**

Foundation officials advised that there was no litigation pending against the foundation at June 30, 2005.

C. **Financial Policy**

The foundation has the general policy of requiring all bank account decisions and all disbursements to be individually approved at meetings of the Board of Directors.

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## MISCELLANEOUS SCHEDULES

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Exhibit C-1

Hickman County, Tennessee  
Schedule of Detailed Revenues -  
Governmental Fund Type  
Hickman County Health Foundation  
For the Year Ended June 30, 2005

	General Fund
<hr/>	
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Investment Income	\$ 45,354
<u>Nonrecurring Items</u>	
Contributions & Gifts	100,000
Total Other Local Revenues	<u>\$ 145,354</u>
Total	<u>\$ 145,354</u>

Exhibit C-2

Hickman County, Tennessee  
Schedule of Detailed Expenditures -  
Governmental Fund Type  
Hickman County Health Foundation  
For the Year Ended June 30, 2005

<u>Other Special Revenue Fund</u>			
<u>Public Health and Welfare</u>			
<u>Ambulance/Emergency Medical Services</u>			
Maintenance & Repair Services- Equipment	\$	7,024	
Motor Vehicles		<u>9,305</u>	
Total Ambulance/Emergency Medical Services			\$ 16,329
 <u>Other Public Health and Welfare</u>			
Contracts with Private Agencies	\$	20,000	
Contributions		<u>11,751</u>	
Total Other Public Health and Welfare			<u>31,751</u>
 Total Other Special Revenue Fund			 <u>\$ 48,080</u>
 Total Governmental Funds - Hickman County Health Foundation			 <u><u>\$ 48,080</u></u>

**SINGLE AUDIT REPORT**  
**HICKMAN COUNTY, TENNESSEE,**  
**HICKMAN COUNTY SCHOOL DEPARTMENT,**  
**AND**  
**HICKMAN COUNTY HEALTH FOUNDATION**  
**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*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*JERRY DURHAM, CPA, CGFM, CFE*  
*Auditor 4*

*RHONDA DAVIS, CFE*  
*TIM BRASHEARS*  
*ROBIN BATES, CFE*  
*WENDY HEATH, CFE*  
*State Auditors*

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**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**

**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**

October 3, 2005

Hickman County Mayor, Board of County Commissioners,  
Director of Schools, Board of Education, and Health Foundation Board of Directors  
Hickman County, Tennessee

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hickman County, Tennessee, and the Hickman County School Department, and we have audited the financial statements of the governmental activities and the major fund of the Hickman County Health Foundation, as of and for the year ended June 30, 2005, which collectively comprise a portion of Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation's basic financial statements and have issued our reports thereon dated October 3, 2005. Our reports on the financial statements of Hickman County, Tennessee, and the Hickman County School Department express adverse opinions 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 Hickman County Health Foundation expresses an unqualified opinion. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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 Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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(A,B,C), 05.03, 05.04, and 05.08.

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 item 05.03 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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, 05.02(D,E,F,G,H, I), 05.05, 05.06, and 05.07.

We also noted certain matters that we reported to the management of Hickman County and the Hickman 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, Health Foundation Board of Directors, 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/rd



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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 3, 2005

Hickman County Mayor, Board of County Commissioners,  
Director of Schools, Board of Education, and Health Foundation Board of Directors  
Hickman County, Tennessee

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

Compliance

We have audited the compliance of Hickman County, the Hickman County School Department, and the Hickman County Health Foundation 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 their major federal programs for the year ended June 30, 2005. Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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 their major federal programs is the responsibility of Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation's management. Our responsibility is to express an opinion on Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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 Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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 Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation's compliance with those requirements.

As described in items 05.05 and 05.09 in the accompanying Schedule of Findings and Questioned Costs, the Hickman County School Department did not comply with requirements regarding Special Tests and Provisions that are applicable to its Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555). Compliance with such requirements is necessary, in our opinion, for the Hickman County School Department to comply with requirements applicable to that program.

In our opinion, except for the effects of the noncompliance described in the preceding paragraph, Hickman County, the Hickman County School Department, and the Hickman County Health Foundation 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 Hickman County, the Hickman County School Department, and the Hickman County Health Foundation 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 Hickman County's, the Hickman County School Department's, and the Hickman County Health Foundation'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hickman County, and the Hickman County School Department, and we have audited the financial statements of the governmental activities and the major fund, of the Hickman County Health Foundation, as of and for the year ended June 30, 2005, and have issued our reports thereon dated October 3, 2005. Our reports on the financial statements of Hickman County and the Hickman County School Department express adverse opinions 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 Hickman County Health Foundation expresses an unqualified opinion. 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, Health Foundation Board of Directors, 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/rd

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Protection and Flood Prevention	10.904	N/A	\$ 68,384
Passed-through State Department of Agriculture:			
Food Distribution (noncash assistance)	10.550	(2)	\$ 78,258
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 213,141
National School Lunch Program	10.555	(2)	586,884
Total Passed-through State Department of Education			\$ 800,025
Total U.S. Department of Agriculture			\$ 946,667
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
HOME Investment/Partnership Program	14.239	HM01026	\$ 6,749
Total U.S. Department of Housing and Urban Development			\$ 6,749
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Byrne Formula Grant	16.579	Z9908845700	\$ 21,377
Total U.S. Department of Justice			\$ 21,377
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Incentive Grant - Section 503 Grants to States	17.267	Z0402563201	\$ 2,743
WIA Incentive Grant - Section 503 Grants to States	17.267	Z0501123801	30,000
Total Passed-through State Department of Labor and Workforce Development			\$ 32,743
Passed-through South Central Tennessee Workforce Alliance:			
WIA Youth Activities	17.259	03-10-999-101-98-82	\$ 20,714
Total U.S. Department of Labor			\$ 53,457
National Endowment for the Humanities:			
Passed-through Tennessee Arts Commission:			
Promotion of the Arts - Partnership Agreements	45.025	Z0502304600	\$ 2,000
Total National Endowment for the Humanities			\$ 2,000
U.S. Department of Education:			
Passed-through State Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	\$ 731,295
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	838,357
Special Education - Preschool Grants	84.173	N/A	24,013
Vocational Education - Basic Grants to States	84.048A	N/A	102,513
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	24,993
Adult Education - State Grant Program	84.002	Z0401667700	29,857 (3)
Adult Education - State Grant Program	84.002	Z0502223000	44,706 (3)
State Grants for Innovative Programs	84.298	N/A	20,116
Education Technology State Grant	84.318	N/A	17,645
English Language Acquisition Grants	84.365	N/A	2,500
Improving Teacher Quality State Grant	84.367	N/A	189,041
Total U.S. Department of Education			\$ 2,025,036
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG041028200	\$ 17,618 (4)
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG041028000	33,233 (4)
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG051126401	42,890 (4)
Temporary Assistance for Needy Families - Families First	93.558	Z0502232200	15,792
Total U.S. Department of Health and Human Services			\$ 109,533

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Public Assistance Grants	97.036	Z0301789400	\$ 65,000
Homeland Security Grant Program	97.004	Z0301776200	30,000 (5)
Homeland Security Grant Program	97.004	Z0402010702	46,404 (5)
Homeland Security Grant Program	97.004	Z0402018600	4,600 (5)
Homeland Security Grant Program	97.004	Z0402005600	244 (5)
Homeland Security Grant Program	97.004	Z0402245500	9,606 (5)
Emergency Management Performance Grants	97.042	Z0502538900	20,000 (6)
Emergency Management Performance Grants	97.042	GG041058401	15,628 (6)
Emergency Management Performance Grants	97.042	Z0402027300	5,000 (6)
Total U.S. Department of Homeland Security			<u>\$ 196,482</u>
Total Expenditures of Federal Grants			<u>\$ 3,361,301</u>
<u>State Grants</u>			
Family Resource Grant - State Department of Education	N/A	Z052139600	\$ 66,600
Safe Schools Act - State Department of Education	N/A	(2)	24,697
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	Z050223220	7,431
Adult Education - State Department of Labor and Workforce Development	N/A	Z0401667700	7,937
Adult Education - State Department of Labor and Workforce Development	N/A	Z0502223000	11,884
Block Grants for Prevention and Treatment of Substance Abuse - State Department of Health and Human Services	N/A	GG041028000	4,966
Block Grants for Prevention and Treatment of Substance Abuse - State Department of Health and Human Services	N/A	GG041028200	2,632
Block Grants for Prevention and Treatment of Substance Abuse - State Department of Health and Human Services	N/A	GG051126401	6,210
Optional Waste Tire Grant - State Department of Environment and Conservation	N/A	Z0301135700	15,057
Local Health Services - State Department of Health and Human Services	N/A	Z0401534800	95,129
Local Health Services - State Department of Health and Human Services	N/A	Z0502055500	175,644
Litter Grant - State Department of Transportation	N/A	GG0410792	3,024
Litter Grant - State Department of Transportation	N/A	Z0502151000	22,122
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	11,022
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z0502039000	9,300
Total State Grants			<u>\$ 463,655</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total Adult Education State Grant Program (CFDA # 84.002) from the U.S. Department of Education \$74,563.

(4) Total Block Grants for Prevention and Treatment of Substance Abuse (CFDA # 93.959) from the U.S. Department of Health and Human Services \$93,741.

(5) Total Homeland Security Grant Program (CFDA # 97.004) from the U.S. Department of Homeland Security \$90,854.

(6) Total Emergency Management Performance Grants (CFDA # 97.042) from the U.S. Department of Homeland Security \$40,628.

Hickman County, Tennessee, Hickman County School Department,  
and Hickman County Health Foundation  
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 Hickman County, Tennessee, the Hickman County School Department, and the Hickman County Health Foundation for the year ended June 30, 2004, which have not been corrected.

**HICKMAN COUNTY AND HICKMAN COUNTY SCHOOL DEPARTMENT**

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

**OFFICE OF FINANCE DIRECTOR**

Finding Number	Page Number	Subject
04.03	13	The office had deficiencies in purchasing procedures

**OTHER FINDINGS AND RECOMMENDATIONS**

Finding Number	Page Number	Subject
04.06	16	Duties were not segregated adequately in the Ambulance Service, Solid Waste Department, and the Offices of Trustee and Clerk and Master

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**HICKMAN COUNTY, TENNESSEE, HICKMAN COUNTY SCHOOL DEPARTMENT,  
AND HICKMAN COUNTY HEALTH FOUNDATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Adverse opinions were issued on the financial statements of Hickman County, Tennessee, and the Hickman County School Department. An unqualified opinion was issued on the financial statements of the Hickman County Health Foundation.
2. The audit of the financial statements of Hickman County and the Hickman County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness of Hickman County and the Hickman County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Hickman County and the Hickman County School Department. The Hickman County Health Foundation did not have any material instances of noncompliance.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. A qualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title 1 Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants (CFDA Nos. 84.027 and 84.173) 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. Hickman County, the Hickman County School Department, and the Hickman County Health Foundation 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 have reviewed these findings and recommendations with management to provide an opportunity for their response. The director of school's written response is paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **HICKMAN COUNTY AND HICKMAN COUNTY SCHOOL DEPARTMENT**

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

Hickman County and the Hickman County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Hickman County and the Hickman County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their 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, Hickman County's and the Hickman County School Department'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. Hickman County's and the Hickman County School Department's financial statements are presented in compliance with these requirements.

### **RECOMMENDATION**

Hickman County and the Hickman County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their 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.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We will work with the county's Finance Office to implement GASB Statement 34.

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OFFICE OF FINANCE DIRECTOR

FINDING 05.02

**THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A., B., and C. Internal Control – Reportable Condition Under Government Auditing Standards; D., E, F., G., H., and I. – Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. The office did not issue purchase orders for some applicable purchases. Purchases orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In some instances, documentation that goods had been received or services had been rendered was not maintained. However, our audit indicated that these goods had been received and services had been rendered.
- C. During the year, the office approved several emergency purchases which included parts to repair Highway Department trucks (\$641), repair of a wrecked ambulance (\$5,014), cost increase from the bid price for bridge timbers (\$1,198), and the purchase of a truck for the Highway Department from state surplus property (\$3,100). Emergency purchases can reasonably be defined as purchases that do not occur within the normal course of business, could not have been foreseen, and/or are so urgent in character that an immediate purchase must be made because essential services would be disrupted. The above purchases do not appear to be emergency purchases.
- D. The office solicited bids for the purchase of a used cargo van using bid specifications provided by a vendor based on a vehicle the vendor had in inventory. The finance director received and accepted the one bid totaling \$5,400. Using bid specifications that apply only to a particular brand or item of equipment violates the intent of the County Financial Management Act of 1981, which requires competitive bids on purchases exceeding \$5,000.
- E. The office did not maintain any documentation supporting its decision to reject the lowest bid received for metal culverts. The office received three bids for various sizes of culverts and awarded the bid to the highest bidder. In *Owen of Georgia, Inc., versus Shelby County*, 442F. Supp. 314 (w.b. Tenn. 1977), the court stated that “to reject the bid of the lowest bidder there must be such evidence of the irresponsibility of the bidder as would cause fair minded and reasonable men to believe that it was not for the best interest of the municipality to award the contract to the lowest bidder.”
- F. The Highway Department purchased tires at the state bid price from a local vendor who had not been awarded the state contract.

- G. On the same day that the Highway Department purchased a used excavator loader for \$10,000, the department paid the same vendor an additional \$3,909 for repairs to the loader. It appears the invoice was split between equipment and repairs to circumvent bid requirements. Purchasing procedures for the Highway Department are governed by provisions of the County Financial Management Act of 1981 and the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.
- H. During the year, a vendor completed a state aid bridge construction project for the Highway Department that had been awarded in a previous fiscal year based on a competitive bid of \$48,778. However, invoices revealed that the Highway Department paid \$55,706 to the vendor for the project purportedly due to price increases for steel. The bid advertisement did not contain language that would allow for increases from the original bid price nor was there documentation that the County Commission had approved these increases.
- I. Bids were not solicited for the purchase of copy machine paper (\$6,594) for the School Department. The County Financial Management Act of 1981 requires purchases exceeding \$5,000 to be competitively bid.

#### RECOMMENDATION

- A. The office should ensure that purchase orders are issued for all applicable purchases.
- B. Documentation should be obtained to confirm that goods have been received or services have been rendered before invoices are paid.
- C. Emergency purchases should be unique in nature and subsequently approved by the County Commission. Price quotes should be obtained for emergency purchases whenever practicable.
- D. The office should develop bid specifications that are not brand specific. Bids should then be evaluated on the basis of several criteria: price, quality, availability, warranty, maintenance costs, experience, etc.
- E. Purchases should be made from the vendor with the lowest price that meets bid specifications unless adequate documentation is on file supporting the decision to reject the lowest bid.
- F. County officials should verify that a vendor indeed has the state contract for the needed item prior to purchasing from the vendor representing to have the state contract. Otherwise, the purchase should be competitively bid.
- G. Invoices should not be split to circumvent the competitive bid requirements of Hickman County's purchasing statutes.
- H. Payments should be made in accordance with the awarded bid unless bid advertisements allow for increases in material costs, and the increases are approved by the County Commission.
- I. Bids should be solicited for purchases exceeding \$5,000 as required by statute.

FINDING 05.03

**THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination revealed the following deficiencies in budget operations:

- A. The actual fund balances and reserves at July 1, 2004, exceeded the estimated fund balances and reserves reflected in the county’s budget at July 1, 2004, in the following funds:

<u>Fund</u>	<u>Actual Fund Balances and Reserves 7-1-04</u>	<u>Estimated Fund Balances and Reserves 7-1-04</u>	<u>Under Estimated</u>
General	\$ 856,254	\$ 306,550	\$ 549,704
Highway/Public Works	415,026	159,079	255,947
General Purpose School	5,406,138	3,568,321	1,837,817
Central Cafeteria	749,935	342,511	407,424

- B. The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding available funding causing a budget deficit of \$248,313.

RECOMMENDATION

The estimate of beginning fund balances and reserves should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We will provide a more accurate accounting of estimated beginning fund balance.

FINDING 05.04

**THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$164,227 in unrestricted net assets at June 30, 2005. This deficit primarily resulted from the recognition of a liability (\$213,878) in the financial statements of the Solid Waste Disposal Fund for costs associated with closing the county’s landfill and monitoring the landfill for 30 years after its closure.

Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.05

**THE CASH BALANCE IN THE CENTRAL CAFETERIA FUND EXCEEDED FEDERAL GUIDELINES**  
(Material Noncompliance Under Circular A-133)

The cash balance in the Central Cafeteria Fund (\$925,749) exceeded three month's expenditures (\$417,659) by \$508,090 at June 30, 2005. The United States Office of Management and Budget establishes compliance requirements for the Child Nutrition Programs. These requirements prohibit the accumulation of cash in excess of three month's expenditures. The School Department submitted a plan to the State Department of Education in August 2005 to reduce this excess cash balance.

RECOMMENDATION

School officials should establish a meal-pricing schedule that will prevent the accumulation of excess cash balances in the Child Nutrition Programs as required by Circular A-133. Also, the School Department should comply with the provisions of the cash reduction plan submitted to the State Department of Education.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

A directive has been issued to the central cafeteria management that continued excess cash growth is not acceptable. We have accelerated the schedule for replacing aging equipment, and the central cafeteria operations will be charged for its share of utility and other operational costs.

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FINDING 05.06

**THE BOARD OF EDUCATION MINUTES NOTED AN UNWRITTEN POLICY THAT LIMITS COMPETITION**  
(Noncompliance Under Government Auditing Standards)

The office solicited and received three bids (\$17,539, \$17,488, and \$16,897) for the purchase of a special education van. The Board of Education awarded the bid to a local vendor at a cost of \$17,488 even though the local vendor was not the low bidder. Minutes of the Board of Education revealed that the decision was made because of the small difference in price (\$591) and the convenience of dealing with a local vendor for maintenance. However, the Board of Education minutes also cited an unwritten board policy to buy locally when possible. This unwritten policy defeats the purpose of competitive bidding by giving

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

### RECOMMENDATION

Purchases should be made from the vendor with the lowest price that meets bid specifications.

### MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We issued the bid to the lowest and best bidder as recommended by the director and Board of Education. My editorial comments to the Board of Education should not have been included in the minutes. We will comply with the law.

### REBUTTAL

Purchases should be made from the vendor with the lowest price that meets bid specifications unless adequate documentation is on file supporting the decision to reject the lowest bid.

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### OTHER FINDINGS AND RECOMMENDATIONS

#### FINDING 05.07

#### **THE LEGALITY OF POLITICAL ADVERTISEMENTS IS QUESTIONED**

(Noncompliance Under Government Auditing Standards)

Hickman County paid for two political advertisements (\$662) which ran in the local newspaper on July 12 and July 19, 2004. These advertisements, according to a memo issued by the Jail Building Committee to the county mayor, were to encourage the passage of a wheel tax, which was considered by the committee to be in the best interest of the county. The advertisements clearly encouraged taxpayers to vote for a wheel tax and against a property tax increase. Sections 5-9-101 and 5-9-109, Tennessee Code Annotated, describe the legal purposes for which county funds may be expended. Based on these statutes, there is no authority for a county government to expend county funds in an attempt to influence the outcome of a referendum.

### RECOMMENDATION

County funds should not be expended in an attempt to influence the outcome of a public referendum.

FINDING 05.08

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE AMBULANCE SERVICE, SOLID WASTE DEPARTMENT, AND THE OFFICES OF TRUSTEE AND CLERK AND MASTER**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Ambulance Service, Solid Waste Department, and the Offices of Trustee and Clerk and Master. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, officials in these departments and offices should segregate duties adequately among employees.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed through State Department of Education:	5.09	10.553, 10.555	Circular A-133, Section 300 [c]	Material Noncompliance, see Finding 05.05: The Cash Balance in the Central Cafeteria Fund Exceeded Three Month's Expenditures	\$ 0

**HICKMAN COUNTY, TENNESSEE, THE HICKMAN COUNTY SCHOOL  
DEPARTMENT, AND THE HICKMAN COUNTY HEALTH FOUNDATION  
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 no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

**Director of Schools – Corrective Action Plan for Current-year Findings**

**FINDING 05.05 and 05.09**

A directive has been issued to the Central Cafeteria that continued excess cash growth is not acceptable. The schedule for replacing aging equipment has been accelerated, and the Central Cafeteria will be charged for its share of utility and other operational costs.