

**ANNUAL FINANCIAL REPORT  
OF  
HARTSVILLE/TROUSDALE  
COUNTY GOVERNMENT, TENNESSEE  
AND  
HARTSVILLE/TROUSDALE  
COUNTY GOVERNMENT SCHOOL DEPARTMENT**

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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**  
**HARTSVILLE/TROUSDALE**  
**COUNTY GOVERNMENT, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

***DEPARTMENT OF AUDIT***  
***JOHN G. MORGAN***  
***Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT***  
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***Assistant to the Comptroller***

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***Director***

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***Audit Manager***

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***KELLEY J. McNEAL, CPA, CGFM***  
***State Auditors***

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

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# ***Audit Highlights***

Annual Financial Report  
Hartsville/Trousdale County Government, 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 Hartsville/Trousdale County Government as of and for the year ended June 30, 2005.

## ***Results***

Our report on Hartsville/Trousdale County Government'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 seven findings and recommendations, which we have reviewed with Hartsville/Trousdale County Government'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:

### **HARTSVILLE/TROUSDALE COUNTY GOVERNMENT**

- ◆ 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 COUNTY EXECUTIVE**

- ◆ The actual fund balance of the General Fund at July 1, 2004, exceeded the estimated beginning fund balance by \$431,210.
  - ◆ In some required instances, the office did not issue purchase orders. Also, some purchase orders were issued without descriptions or dollar amounts of the items being purchased.
  - ◆ Numerous deficiencies noted in the administration of the Water and Sewer Department were: (1) grant activity was not included on the department's accounting records; (2) some disbursements were not made by prenumbered checks; (3) petty cash was not properly administered; (4) accounts receivable were not properly accounted; (5) inventories of parts and supplies were not maintained; (6) capital assets records were deficient; (7) liability accounts were not properly maintained; (8) the department had purchasing deficiencies; and (9) duties were not segregated adequately.
-

## **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not use purchase orders.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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

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## INTRODUCTORY SECTION

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# Hartsville/Trousdale County Government Officials

## June 30, 2005

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### Officials:

Jerry Clift, County Executive  
Charles Beasley, Highway Superintendent  
Kay Celsor, Trustee  
Bobby Satterfield, Assessor of Property  
Harold Gregory, County Clerk  
Kim Taylor, Circuit and General Sessions Courts Clerk  
Shelly Jones, Clerk and Master  
Mary Holder, Register  
Ray Russell, Sheriff

### Hartsville/Trousdale County Government Commissioners:

Jerry Clift, Chairman	
William Beasley	Bobby Joe Lewis
Wayne Brown	Phyllis Martinez
Dewayne Byrd	James McDonald
Ralph Coker	David Nollner
Roy N. Dies	Chris Oldham
Ray Alan Gross	John Coleman Oldham
David Harris	Tim Roberson
Dwight Holder	Gary Stafford
Richard R. Johnson	Phillip Taylor
Johnny Kerr	Robert Thurman

### Highway Commission:

Jerry Clift, Chairman  
Charles Beasley  
James R. McCadden

### Water and Sewerage Board:

Henry Linville, Chairman  
Pat Fergusson  
Jerry Helm  
Anne Kemp  
Dennis Oldham

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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**

August 18, 2005

Hartsville/Trousdale County Government Executive and  
Board of County Commissioners  
Hartsville/Trousdale County Government, Tennessee

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund, except for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 39, which collectively comprise a portion of the government's basic financial statements required by accounting principles generally accepted in the United States of America. We were also engaged to audit the financial statements of the Hartsville/Trousdale County Government Water and Sewer Fund, a major proprietary fund, as of and for the year ended June 30, 2005. These financial statements are the responsibility of Hartsville/Trousdale County Government'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, 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, Hartsville/Trousdale County Government, 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 Hartsville/Trousdale County Government, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Management was unable to provide us with any evidence supporting certain amounts reported in the financial statements and related notes to the financial statements for the Hartsville/Trousdale County Government Water and Sewer Fund, a major proprietary fund. Amounts presented on the financial statements of this fund's Statement of Net Assets for accounts receivable, capital assets net of accumulated depreciation, accounts payable, and customer deposits payable and their related footnote disclosures did not have sufficient supporting documentation. Due to the lack of supporting documentation, the scope of our audit was not sufficient to enable us to properly determine the propriety of balances reported on the financial statements and the related footnote disclosures or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Since we were unable to properly determine the propriety of balances reported on the financial statements and the related footnote disclosures for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the information presented for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund) included in the basic financial statements, in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

Also, in our opinion, except for the financial statements of the Hartsville/Trousdale County Government Water and Sewer Fund (major fund) as noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the other major funds and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in

conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005, on our consideration of Hartsville/Trousdale County Government'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., Hartsville/Trousdale County Government 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.

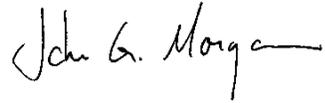
The budgetary comparison information on pages 43 through 49 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally 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 Hartsville/Trousdale County Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules, except for information presented for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), 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.

As described in paragraph seven, we do not express an opinion on the Hartsville/Trousdale County Government Water and Sewer Fund (major fund) presented in the basic financial statements. Consequently, we do not express an opinion in relation to the basic financial statements taken as a whole, for amounts included in the miscellaneous schedules for the Hartsville/Trousdale County Government Water and Sewer Fund.

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 black ink that reads "John G. Morgan" with a 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

Hartsville/Trousdale County Government, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds			Nonmajor	Total
	General	Urban Services	Highway/ Public Works	Funds Other Govern- mental Funds	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 1,610,715	\$ 468,457	\$ 498,490	\$ 1,678,820	\$ 4,256,482
Accounts Receivable	20,728	17,381	1,174	14,100	53,383
Due from Other Governments	174,364	0	277,898	1,359	453,621
Due from Other Funds	14,603	0	28,915	286	43,804
Due from Component Units	878	0	0	0	878
Property Taxes Receivable	1,357,172	417,819	0	426,540	2,201,531
Allowance for Uncollectible Property Taxes	(55,369)	(8,565)	0	(17,402)	(81,336)
Total Assets	\$ 3,123,091	\$ 895,092	\$ 806,477	\$ 2,103,703	\$ 6,928,363
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 56,559	\$ 5,578	\$ 217,834	\$ 12,226	\$ 292,197
Accrued Payroll	0	0	41,051	0	41,051
Payroll Deductions Payable	109	0	0	0	109
Retainage Payable	0	0	0	10,000	10,000
Due to Other Funds	0	28,394	10,156	1,449	39,999
Due to State of Tennessee	0	0	1,131	0	1,131
Deferred Revenue - Current Property Taxes	1,205,763	362,224	0	378,954	1,946,941
Deferred Revenue - Delinquent Property Taxes	96,040	47,030	0	30,184	173,254
Other Deferred Revenues	86,109	7,350	105,146	0	198,605
Total Liabilities	\$ 1,444,580	\$ 450,576	\$ 375,318	\$ 432,813	\$ 2,703,287
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 238,196	\$ 0	\$ 238,196
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	7,482	7,482
Reserved for Alcohol and Drug Treatment	22,906	0	0	0	22,906
Reserved for Sexual Offender Registration	320	0	0	0	320
Reserved for Computer System - Register	12,529	0	0	0	12,529
Reserved for Automation Purposes - Circuit Court	1,481	0	0	0	1,481
Reserved for Automation Purposes - General Sessions Court	14,490	0	0	0	14,490
Reserved for Automation Purposes - Chancery Court	356	0	0	0	356
Reserved for Capital Outlay	0	0	6,170	21,582	27,752
Unreserved, Reported In:					
General Fund	1,626,429	0	0	0	1,626,429
Special Revenue Funds	0	444,516	186,793	755,322	1,386,631
Debt Service Funds	0	0	0	884,121	884,121
Capital Projects Funds	0	0	0	2,383	2,383
Total Fund Balances	\$ 1,678,511	\$ 444,516	\$ 431,159	\$ 1,670,890	\$ 4,225,076
Total Liabilities and Fund Balances	\$ 3,123,091	\$ 895,092	\$ 806,477	\$ 2,103,703	\$ 6,928,363

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

Exhibit B

Hartsville/Trousdale County Government, 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	Urban Services	Highway/ Public Works	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,029,454	\$ 432,546	\$ 0	\$ 786,425	\$ 3,248,425
Licenses and Permits	27,880	5,225	0	0	33,105
Fines, Forfeitures and Penalties	69,154	0	0	37,784	106,938
Charges for Current Services	23,735	98,223	0	89,426	211,384
Other Local Revenues	329,097	515	7,776	159,265	496,653
Fees Received from County Officials	348,169	0	0	0	348,169
State of Tennessee	287,074	0	1,446,340	19,705	1,753,119
Federal Government	259,264	0	0	0	259,264
Other Governments and Citizens Groups	6,738	0	0	556,255	562,993
Total Revenues	\$ 3,380,565	\$ 536,509	\$ 1,454,116	\$ 1,648,860	\$ 7,020,050
<u>Expenditures</u>					
Current:					
General Government	\$ 445,833	\$ 0	\$ 0	\$ 0	\$ 445,833
Finance	246,640	0	0	0	246,640
Administration of Justice	245,497	0	0	18,735	264,232
Public Safety	1,579,754	216,165	0	28,128	1,824,047
Public Health and Welfare	245,515	144,548	0	471,465	861,528
Social, Cultural, and Recreational Services	153,852	1,500	0	0	155,352
Agricultural and Natural Resources	47,221	0	0	0	47,221
Other Operations	585,664	77,564	0	39,675	702,903
Highways	0	33,484	1,640,741	0	1,674,225
Debt Service:					
Principal	0	36,166	0	553,400	589,566
Interest	0	6,085	0	248,548	254,633
Other Debt Service	0	0	0	9,144	9,144
Capital Projects	13,427	4,661	0	562,064	580,152
Total Expenditures	\$ 3,563,403	\$ 520,173	\$ 1,640,741	\$ 1,931,159	\$ 7,655,476
Excess (Deficiency) of Revenues Over Expenditures	\$ (182,838)	\$ 16,336	\$ (186,625)	\$ (282,299)	\$ (635,426)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 190,000	\$ 0	\$ 350,000	\$ 175,000	\$ 715,000
Other Loans Issued	0	0	0	434,008	434,008
Transfers In	0	0	0	11,555	11,555
Transfers Out	0	0	0	(11,555)	(11,555)
Total Other Financing Sources (Uses)	\$ 190,000	\$ 0	\$ 350,000	\$ 609,008	\$ 1,149,008
Net Change in Fund Balances	\$ 7,162	\$ 16,336	\$ 163,375	\$ 326,709	\$ 513,582
Fund Balance, July 1, 2004	1,671,349	428,180	267,784	1,344,181	3,711,494
Fund Balance, June 30, 2005	\$ 1,678,511	\$ 444,516	\$ 431,159	\$ 1,670,890	\$ 4,225,076

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

Hartsville/Trousdale County Government, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

	Major Fund
	Enterprise Fund
	Water and Sewer Fund
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 2,300,130
Restricted Cash:	
Customer Deposits	227,805
Accounts Receivable (net of allowance for uncollectibles)	141,099
Total Current Assets	<u>\$ 2,669,034</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 22,043
Construction in Progress	469,865
Other Capital Assets	7,507,580
Total Noncurrent Assets	<u>\$ 7,999,488</u>
Total Assets	<u>\$ 10,668,522</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 41,629
Payroll Deductions Payable	1,550
Contracts Payable	67,017
Retainage Payable	20,142
Due to State of Tennessee	7,057
Customer Deposits Payable	227,805
Revenue Bonds Payable (Current Portion)	208,940
Total Current Liabilities	<u>\$ 574,140</u>
Noncurrent Liabilities:	
Revenue Bonds Payable	\$ 1,191,180
Total Noncurrent Liabilities	<u>\$ 1,191,180</u>
Total Liabilities	<u>\$ 1,765,320</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 6,599,368
Unrestricted	<u>2,303,834</u>
Total Net Assets	<u>\$ 8,903,202</u>

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

Hartsville/Trousdale County Government, Tennessee  
Statement of Revenues, Expenses, and Changes  
in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2004

	Major Fund
	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,339,206
Other Local Revenues	16,418
Total Operating Revenues	<u>\$ 1,355,624</u>
<u>Operating Expenses</u>	
Other Public Health and Welfare	\$ 1,081,479
Total Operating Expenses	<u>\$ 1,081,479</u>
Operating Income (Loss)	<u>\$ 274,145</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Expense	\$ (48,600)
Grant Income	172,442
Interest Income	27,260
Total Nonoperating Revenues (Expenses)	<u>\$ 151,102</u>
Net Income (Loss) Before Operating Transfers	<u>\$ 425,247</u>
Changes in Net Assets	\$ 425,247
Net Assets, July 1, 2004	<u>8,477,955</u>
Net Assets, June 30, 2005	<u>\$ 8,903,202</u>

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

Hartsville/Trousdale County Government, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2005

	Major Fund
	Enterprise Fund
	Water and Sewer Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,618,894
Payments to Suppliers and Vendors	(773,002)
Payments to Employees	(504,839)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 341,053</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 172,442
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 172,442</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (557,163)
Principal Paid on Revenue Bonds	(503,488)
Interest Paid on Revenue Bonds	(48,600)
Loan Proceeds	350,000
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (759,251)</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 27,260
Net Cash Provided By (Used In) Investing Activities	<u>\$ 27,260</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (218,496)
Cash, July 1, 2004	<u>2,746,431</u>
Cash, June 30, 2005	<u><u>\$ 2,527,935</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</u>	
Operating Income (Loss)	\$ 274,145
Adjustments to Reconcile Net Operating Income	
To Net Cash Provided By (Used In) Operating Activities:	
(Increase) Decrease in Accounts Receivable	42,928
Increase (Decrease) in Customer Deposits	15,388
Increase (Decrease) in Accounts Payable	8,592
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 341,053</u></u>

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

Exhibit D

Hartsville/Trousdale County Government, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 286,582
Cash	276,325
Accounts Receivable	1,349
Due from Other Governments	<u>37,830</u>
Total Assets	<u>\$ 602,086</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 7,207
Cash Overdraft	937
Due to Other Funds	84
Due to Litigants, Heirs, and Others	276,737
Due to Joint Venture	<u>317,121</u>
Total Liabilities	<u>\$ 602,086</u>

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

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hartsville/Trousdale County Government'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.

Hartsville/Trousdale County Government 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. Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government's auditor to issue an adverse opinion on the consolidated government's financial statements.

Although Hartsville/Trousdale County Government'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 that are 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.

The following are the more significant accounting policies of Hartsville/Trousdale County Government:

**A. Reporting Entity**

Trousdale County and the Town of Hartsville consolidated their governments on January 1, 2001, as mandated by public referendum. The assets of the Town of Hartsville were transferred to Trousdale County. Hartsville/Trousdale County Government is a public municipal corporation governed by an elected 20-member board. These financial statements present Hartsville/Trousdale County Government, the primary government.

**Blended Component Units** – There are no legally separate component units of Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government 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 consolidated government.

The Hartsville/Trousdale County Government School Department operates the public school system in the county. The Hartsville/Trousdale County School Department's Board is elected by the voters of Hartsville/Trousdale County Government. The Hartsville/Trousdale County Government School Department is fiscally dependent on the consolidated government because it may not issue debt without consolidated government approval, and its budget and property tax levies are subject to the County Commission's approval. The Hartsville/Trousdale County Government School Department's taxes are levied under the taxing authority of the consolidated government and are included as part of the consolidated government's total tax levy.

The Hartsville/Trousdale County Government Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hartsville/Trousdale County, and Hartsville/Trousdale 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 approval of the County Commission.

The Hartsville/Trousdale County Government School Department and the Hartsville/Trousdale County Government Emergency Communications District issue separate financial statements from those of the consolidated government. The Hartsville/Trousdale County Government School Department's financial statements are published as a separate report but under the same cover as the consolidated government's financial statements. The Hartsville/Trousdale County Government Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Hartsville/Trousdale County Emergency Communications District can be obtained from its administrative office at the following address:

Hartsville/Trousdale County Government  
Emergency Communications District  
210 Broadway  
Hartsville, TN 37074

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

Fund financial statements of Hartsville/Trousdale County Government are organized into funds, each of which is considered 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. An emphasis is placed on major funds within the governmental category and the proprietary category. Hartsville/Trousdale County Government reports only one proprietary fund, an enterprise fund.

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 enterprise fund and fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Hartsville/Trousdale County Government 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. Hartsville/Trousdale County Government considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 Hartsville/Trousdale County Government 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.

Hartsville/Trousdale County Government 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.

**Urban Services Fund** – This fund accounts for the financial activity for the Urban Services District.

**Highway/Public Works Fund** – This fund accounts for transactions of the Hartsville/Trousdale County Government Highway Department.

Hartsville/Trousdale County Government reports the following major enterprise fund:

**Water and Sewer Fund** – This fund accounts for transactions of the Hartsville/Trousdale County Government Water and Sewer Department.

Additionally, Hartsville/Trousdale County Government reports the following fund types:

**Debt Service Funds** – These funds are used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

**Capital Projects Fund** – The Education Capital Projects Fund accounts for other loan proceeds used for construction of major educational capital facilities.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and state grants and other restricted revenues held for the benefit of the Fifteenth Judicial District Drug Task Force. 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. Hartsville/Trousdale County Government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The consolidated government has one proprietary fund, an enterprise fund used to account for the transactions of the Water and Sewer Department. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the enterprise fund is customer fees for water and sewer usage. Operating expenses for the enterprise fund consist entirely of operation and maintenance costs of the department.

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 demand deposits.

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 consolidated government trustee maintains a cash and internal investment pool that is used by Hartsville/Trousdale County Government and Hartsville/Trousdale County Government School Department funds, with the exception of the Water and Sewer Fund. Each fund's portion of this pool is displayed on its balance sheet or statement of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department has adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one 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.

## **2. Receivables and Payables**

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

Retainage payable in the Water and Sewer Fund and the Education Capital Projects Fund represents amounts withheld from payments made to contractors to ensure contract performance. The Water and Sewer Department holds these funds in a demand deposit account; while the county trustee holds the amount for the Education Capital Projects Fund as equity in pooled cash and investments.

Contracts payable in the Water and Sewer Fund represents amounts due on waterline construction projects at June 30, 2005.

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

Property taxes receivable are shown with an allowance for uncollectible. The allowance for uncollected property taxes is equal to 2.05 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 to immaterial for reporting purposes. 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.

Current liabilities payable from restricted assets reflected in the proprietary fund represents deposits placed with the Water and Sewer Department by customers when service is initiated.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. Hartsville/Trousdale County Government 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, Hartsville/Trousdale County Government does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary fund. Hartsville/Trousdale County Government's Water and Sewer Department does not have policies regarding the capitalization of assets and does not maintain capital assets records as required by generally accepted accounting principles. Assets were generally recorded to the accounting records at historical cost when purchased or constructed. The costs of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**4. Compensated Absences**

Hartsville/Trousdale County Government permits employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to governmental employees upon separation of service or upon request annually under certain provisions. Employees also may accumulate an unlimited number of sick leave days. The cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a

result of employee resignations and retirements. Vested or accumulated vacation leave is required to be accrued when incurred in proprietary funds using the accrual basis of accounting. However, these amounts would be immaterial to the financial statements of Hartsville/Trousdale County Government. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of general long-term indebtedness, including bonds, notes payable, other loans, and capital leases is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including landfill postclosure cost, 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

**6. Net Assets and Fund Equity**

In the 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.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Cash Overdraft

The Constitutional Officers – Agency Fund had a cash overdraft of \$937 on June 30, 2005. This cash overdraft resulted from uncollected bad checks held in the Office of County Clerk at year-end. The overdraft should be liquidated subsequent to year-end with funds collected from individuals responsible for the checks.

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

The actual fund balance in the General Fund was \$1,481,740 at July 1, 2004; however, the estimated fund balance reflected in the government’s budget document was \$1,050,530. Therefore, the actual fund balance was \$431,210 more than the estimated fund balance presented to the County Commission.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Hartsville/Trousdale County Government, except for the Water and Sewer Fund, and the Hartsville/Trousdale County Government School Department participate in an internal cash and investment pool through the Office of Trustee. The Hartsville/Trousdale County Government School Department meets the criteria for a discretely presented component unit of Hartsville/Trousdale County Government. Since the government is presenting fund financial statements only, the financial information for the Hartsville/Trousdale County Government 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 represent nonpooled amounts held separately by individual funds.

## Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for 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.** The government is 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 government 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, Hartsville/Trousdale County Government had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool; however, all of the investments except for the amount in the State Treasurer's Investment Pool are restricted and can only be used for community or industrial development. Separate disclosures concerning pooled investments cannot be made for

Hartsville/Trousdale County Government and the discretely presented Hartsville/Trousdale County Government 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	\$ 238,222
U.S. Treasury Strip - 912803AK9	11-15-2016	112,963
U.S. Treasury Strip - 912833GD6	11-15-2008	99,882
U.S. Treasury Strip - 912833JZ4	11-15-2012	82,685
U.S. Treasury Investment Growth Receipt	11-15-2005	<u>110,514</u>
 Total		 <u><u>\$ 644,266</u></u>

**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. Hartsville/Trousdale County Government has no investment policy that would further limit its investment choices. As of June 30, 2005, Hartsville/Trousdale County Government's investment in the State Treasurer's Investment Pool was unrated.

**B. Capital Assets**

Capital assets of \$14,974,520 and related accumulated depreciation of \$6,975,032 are presented in the financial statements of the government's Water and Sewer Fund. As noted in the Findings and Questioned Costs section of this report, the Hartsville/Trousdale County Government does not maintain records for capital assets and has no policy regarding capitalization and depreciation of its capital assets. An opinion has not been expressed by the auditors on these amounts.

**C. Construction Commitments**

At June 30, 2005, the Water and Sewer Department had uncompleted construction contracts of approximately \$67,017. Future expenses for this project will be paid from loan proceeds received during the year and approved Rural Development grant funds.

**D. Interfund Receivables and Payables**

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Urban Services	\$ 807
General	Highway/Public Works	9,870
General	Nonmajor governmental	1,449
General	Agency	2,477
Nonmajor governmental	Highway/Public Works	286
Highway/Public Works	General	82
Highway/Public Works	Urban Services	<u>28,833</u>
Total		<u>\$ 43,804</u>

Most of 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.

In addition, \$3,721 represents funds disbursed from the General Fund (\$82), Urban Services Fund (\$1,246) and the Judicial District Drug Fund, agency fund, (\$2,393). These funds were in transit to other funds but had not yet been received at June 30, 2005.

**Due to/from primary government and component units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component unit: Hartsville/Trousdale County	
Primary government: General	Government School Department: General Purpose School	<u>\$ 878</u>
Total		<u>\$ 878</u>

**Interfund Transfers:**

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

<u>Transfers Out</u>	<u>Transfers In Nonmajor Governmental Funds</u>
Nonmajor governmental funds	\$ 11,555
Total	<u>\$ 11,555</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**E. Capital Leases**

On September 11, 2002, the government entered into a five-year capital lease for commissary computer equipment at the Sheriff's Department. The terms of this agreement require total lease payments of \$5,200 with no interest. Title to the equipment transfers to the government at the end of the lease, and the lease payments are made from the General Fund.

Since Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

	<u>Capital Lease</u>
2005-06	\$ 1,040
2006-07	1,040
2007-08	<u>360</u>
Total Minimum Lease Payments	<u>\$ 2,440</u>

**F. Long-term Debt**

Since Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

The Hartsville/Trousdale County Government issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities renovation 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 20 years for bonds, up to 12 years for notes, and up to 20 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 general obligation bonds outstanding as of June 30, 2005, will be retired from the Urban Services Fund. Capital outlay notes outstanding as of June 30, 2005, will be retired from the General Debt Service Fund (\$820,000), the Urban Services Fund (\$22,000) and the Highway/Public Works Fund (\$29,450). Other loans outstanding as of June 30, 2005, will be retired from the General Debt Service Fund (\$1,977,417) and the Educational Debt Service Fund (\$7,784,565).

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	6.125 %	\$ 217,000	\$ 50,763
Capital Outlay Notes	3.0 to 5.5	1,504,000	871,450
Other Loans	Variable	11,425,565	9,761,982
Capital Leases	0	5,200	2,440

In prior years, Hartsville/Trousdale County Government entered a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Hartsville/Trousdale County Government \$3,000,000 for the construction of a new middle school. This loan is repayable at a variable interest rate based on the daily London Interbank Offer Rate (LIBOR). In addition, the county pays various other fees (trustee fees, debt remarketing fees, etc.) in connection with this loan. At June 30, 2005, the variable interest rate was 2.49 percent, and other fees amounted to approximately .3 percent (letter of credit), .08 percent (remarketing fee), and .06 percent (trustee fee) of the outstanding loan principal.

Also, in prior years, Hartsville/Trousdale County Government entered into a second loan agreement with the Montgomery County Public Building Authority. This agreement provided for the authority to issue variable rate bonds of \$8,500,000 and loan the proceeds to Hartsville/Trousdale County Government on an as-needed basis for the construction of a new high school. This loan is repayable at a variable interest rate based on the daily London Interbank Offer Rate (LIBOR). In addition, the county pays various other fees (trustee fees, debt remarketing fees, etc.) in connection with this loan. At June 30, 2005, the variable interest rate was 2.18 percent, and other fees amounted to approximately .25 percent (letter of credit), .08 percent (remarketing fee), and .03 percent (trustee fee) of the outstanding loan principal. As of June 30, 2005, Hartsville/Trousdale County Government had borrowed \$8,425,565 of these loan proceeds.

The annual requirements to amortize the general obligation bonds, notes, and other loans outstanding as of June 30, 2005, and the total amount available under the loan agreement with the public building authority, including interest payments of \$5,527 (bonds), \$201,424 (notes), \$2,010,503 (other loans), and \$332,497 (other loans fees), are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 16,108	\$ 2,864	\$ 158,450	\$ 36,057
2007	17,109	1,863	69,000	32,542
2008	17,546	800	74,000	29,400
2009	0	0	77,000	26,028
2010	0	0	80,000	22,522
2011-2015	0	0	413,000	54,875
<b>Total</b>	<b>\$ 50,763</b>	<b>\$ 5,527</b>	<b>\$ 871,450</b>	<b>\$ 201,424</b>

Year Ending June 30	Other Loan (\$3,000,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 141,662	\$ 49,238	\$ 8,616	\$ 199,516
2007	148,288	45,710	7,998	201,996
2008	155,198	42,018	7,352	204,568
2009	162,430	38,153	6,676	207,259
2010	170,000	34,109	6,676	210,785
2011-2015	976,474	102,965	17,309	1,096,748
2016	223,365	5,562	973	229,900
<b>Total</b>	<b>\$ 1,977,417</b>	<b>\$ 317,755</b>	<b>\$ 55,600</b>	<b>\$ 2,350,772</b>

Year Ending June 30	Other Loan (\$8,500,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 339,000	\$ 171,326	\$ 28,025	\$ 538,351
2007	351,000	163,936	26,816	541,752
2008	365,000	156,284	25,565	546,849
2009	378,000	148,327	24,263	550,590
2010	392,000	140,087	22,915	555,002
2011-2015	2,194,000	565,601	92,520	2,852,121
2016-2020	2,640,000	307,707	50,335	2,998,042
2021-2022	1,200,000	39,480	6,458	1,245,938
Total	\$ 7,859,000	\$ 1,692,748	\$ 276,897	\$ 9,828,645

There is \$338,341 available in the General Debt Service Fund and \$545,780 available in the Education Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$7, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, capital lease, and landfill postclosure costs, amounted to \$1,510, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

	Bonds	Notes	Other Loans
Balance, July 1, 2004	\$ 65,929	\$ 321,360	\$ 9,789,374
Additions	0	715,000	434,008
Deductions	(15,166)	(164,910)	(461,400)
Balance, June 30, 2005	\$ 50,763	\$ 871,450	\$ 9,761,982
Balance Due Within One Year	\$ 16,108	\$ 158,450	\$ 480,662

	Capital Leases	Landfill Closure/ Postclosure Care Cost
Balance, July 1, 2004	\$ 3,480	\$ 289,642
Additions	0	0
Deductions	(1,040)	(13,792)
Balance, June 30, 2005	<u>\$ 2,440</u>	<u>\$ 275,850</u>
Balance Due Within One Year	<u>\$ 1,040</u>	<u>\$ 13,792</u>

Hartsville/Trousdale County Water and Sewer Fund (Enterprise Fund)

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

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 208,940	\$ 70,196
2007	220,019	59,335
2008	226,194	47,727
2009	237,361	35,581
2010	178,768	23,772
2011-2015	25,778	67,282
2016-2020	31,870	61,190
2021-2025	39,401	53,659
2026-2030	48,712	44,348
2031-2035	60,222	32,838
2036-2040	74,453	18,607
2041-2043	48,402	2,980
Total	<u>\$ 1,400,120</u>	<u>\$ 517,515</u>

General bonded debt per capita amounted to \$193, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the Hartsville/Trousdale County Water and Sewer Fund (Enterprise Fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	<u>Bonds</u>
Balance, July 1, 2004	\$ 1,553,608
Additions	350,000
Deductions	<u>(503,488)</u>
Balance, June 30, 2005	<u>\$ 1,400,120</u>
Balance Due Within One Year	<u>\$ 208,940</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

Hartsville/Trousdale County Government is exposed to various risks related to general liability, property, casualty losses, and workers' compensation.

Hartsville/Trousdale County Government is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The consolidated government pays annual premiums to the pool for its general liability, property, casualty losses, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims more than \$100,000 for each insured event.

Hartsville/Trousdale County Government provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, 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 the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Accounting Change**

During the year, Hartsville/Trousdale County Government 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. Contingent Liabilities**

Hartsville/Trousdale County Government and several other Tennessee counties were named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Hartsville/Trousdale County Government facilities. During the year, this suit was settled and under terms of the settlement, Hartsville/Trousdale County Government must make improvements to its facilities in order to be in compliance with the ADA. Engineers estimated the costs of these improvements to be approximately \$115,000; however, the government is in on-going negotiations with officials as to the extent of the improvements necessary to bring the government into compliance with all ADA requirements.

The government 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 county's financial statements.

**D. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require landfill operators to place a final cover on landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Hartsville/Trousdale County landfill was closed in January 1997. The \$275,850 reported as landfill postclosure care liability at June 30, 2005, represents the cumulative amount of estimated remaining postclosure care costs reported to date based on the use of 100 percent of the estimated capacity of the landfill. This amount is based on what it would cost to perform all postclosure care in 2005. Actual costs may be higher due to inflation, changes in technology, and changes in regulations.

**E. Joint Venture**

The Fifteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fifteenth Judicial District and participating municipalities in the district. The Fifteenth Judicial District includes Jackson, Macon, Smith, Trousdale, and Wilson Counties. The DTF interlocal agreement was signed by the sheriffs of Hartsville/Trousdale County Government, Jackson County, Smith County, and the police chiefs of the cities of Carthage and Lafayette. 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 that includes the district attorney general and the sheriffs and police chiefs of participating law enforcement agencies within each judicial district. Hartsville/Trousdale County Government made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

District Attorney General's Office  
Fifteenth Judicial District  
203 Greentop Street  
Hartsville, TN 37074

**F. Retirement Commitments**

**Plan Description**

Employees of Hartsville/Trousdale County Government 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 Hartsville/Trousdale 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**

### Hartsville/Trousdale County Government

Hartsville/Trousdale County Government requires employees to contribute five percent of earnable compensation. Hartsville/Trousdale County Government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.38 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hartsville/Trousdale County government is established and may be amended by the TCRS Board of Trustees.

### Former City of Hartsville Employees

Hartsville/Trousdale County Government has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Hartsville/Trousdale County Government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 13.16 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hartsville/Trousdale County Government is established and may be amended by the TCRS Board of Trustees.

## **Annual Pension Cost**

### Hartsville/Trousdale County Government

For the year ended June 30, 2005, Hartsville/Trousdale County Government's annual pension cost of \$178,016 to TCRS was equal to Hartsville/Trousdale County Government'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. Hartsville/Trousdale County Government'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 18 years.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 178,016	100%	\$0
June 30, 2004	127,656	100	0
June 30, 2003	124,161	100	0

Former City of Hartsville Employees

For the year ended June 30, 2005, Hartsville/Trousdale County Government's annual pension cost of \$88,845 to TCRS was equal to Hartsville/Trousdale County Government'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. Hartsville/Trousdale County Government'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 12 years.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 88,845	100%	\$0
June 30, 2004	46,648	100	0
June 30, 2003	46,019	100	0

**Required Supplementary Information**

Schedule of Funding Progress for Hartsville/Trousdale County Government

Hartsville/Trousdale County Government

(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)
6-30-2003	\$ 5,323	\$ 5,646	\$ 323	94.28%	\$ 2,561	12.61%
6-30-2001	4,802	5,170	368	92.88	2,054	17.92
6-30-1999	4,233	4,374	141	96.78	1,841	7.66

Former City of Hartsville Employees

(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)
6-30-2003	\$ 3,231	\$ 3,239	\$ 8	99.75%	\$ 689	1.16%
6-30-2001	3,077	3,077	0	100	753	0
6-30-1999	2,779	2,779	0	100	629	0

**G. Purchasing Laws**

Office of Hartsville/Trousdale County Executive

Purchasing procedures for the Hartsville/Trousdale County Government Executive's Office are governed by the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Superintendent

Purchasing procedures for the Highway Department are governed by provisions of Section 54-7-113 (Uniform Road Law), TCA, which requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Hartsville/Trousdale County Government, 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	\$ 2,029,454	\$ 0	\$ 2,029,454	\$ 1,846,360	\$ 1,846,360	\$ 183,094
Licenses and Permits	27,880	0	27,880	30,000	30,000	(2,120)
Fines, Forfeitures and Penalties	69,154	0	69,154	41,050	41,050	28,104
Charges for Current Services	23,735	0	23,735	19,600	21,100	2,635
Other Local Revenues	329,097	0	329,097	225,000	265,000	64,097
Fees Received from County Officials	348,169	0	348,169	266,000	266,000	82,169
State of Tennessee	287,074	0	287,074	395,031	415,077	(128,003)
Federal Government	259,264	0	259,264	307,817	307,817	(48,553)
Other Governments and Citizens Groups	6,738	0	6,738	1,000	3,500	3,238
Total Revenues	\$ 3,380,565	\$ 0	\$ 3,380,565	\$ 3,131,858	\$ 3,195,904	\$ 184,661
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 11,950	\$ 0	\$ 11,950	\$ 14,700	\$ 14,700	\$ 2,750
Beer Board	20	0	20	200	200	180
County Executive	152,312	0	152,312	159,346	159,346	7,034
County Attorney	6,647	0	6,647	15,500	15,500	8,853
Election Commission (Including Voter Registration)	60,003	0	60,003	66,795	66,795	6,792
Register of Deeds	68,641	0	68,641	72,543	72,543	3,902
Planning	56,107	0	56,107	56,984	56,984	877
County Buildings	90,153	0	90,153	124,267	124,267	34,114
<u>Finance</u>						
Property Assessor's Office	87,461	0	87,461	91,370	91,370	3,909
County Trustee's Office	78,330	0	78,330	87,863	87,863	9,533
County Clerk's Office	80,849	0	80,849	86,342	86,342	5,493
<u>Administration of Justice</u>						
Circuit Court	121,176	0	121,176	122,427	126,627	5,451

(Continued)

Exhibit E-1

Hartsville/Trousdale County Government, 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 (Cont.)</u>						
General Sessions Court	\$ 55,104	\$ 0	\$ 55,104	\$ 58,418	\$ 58,418	\$ 3,314
Chancery Court	54,858	0	54,858	60,116	60,116	5,258
Judicial Commissioners	14,359	0	14,359	14,795	14,795	436
<u>Public Safety</u>						
Sheriff's Department	678,160	0	678,160	787,442	767,247	89,087
Drug Enforcement	39,221	0	39,221	111,709	65,607	26,386
Administration of the Sexual Offender Registry	280	0	280	0	1,500	1,220
Jail	535,914	0	535,914	542,286	574,468	38,554
Workhouse	36,509	0	36,509	38,412	38,412	1,903
Juvenile Services	25,536	0	25,536	24,143	31,143	5,607
Fire Prevention and Control	235,127	(189,609)	45,518	55,025	55,025	9,507
Civil Defense	8,248	0	8,248	24,692	24,692	16,444
Inspection and Regulation	4,774	0	4,774	8,248	8,248	3,474
County Coroner/Medical Examiner	15,985	0	15,985	12,500	21,500	5,515
<u>Public Health and Welfare</u>						
Local Health Center	24,742	0	24,742	34,084	34,084	9,342
Ambulance/Emergency Medical Services	178,056	0	178,056	178,056	178,056	0
Alcohol and Drug Programs	2,655	0	2,655	3,000	3,000	345
Other Local Health Services	0	0	0	2,300	2,300	2,300
Sanitation Education/Information	30,062	0	30,062	31,737	31,737	1,675
Other Public Health and Welfare	10,000	0	10,000	10,000	10,000	0
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	35,472	0	35,472	40,350	43,120	7,648
Libraries	55,097	0	55,097	59,095	59,095	3,998
Parks and Fair Boards	63,283	0	63,283	71,190	79,102	15,819

(Continued)

Exhibit E-1

Hartsville/Trousdale County Government, 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>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	\$ 40,081	\$ 0	\$ 40,081	\$ 41,210	\$ 42,960	\$ 2,879
Soil Conservation	7,140	0	7,140	7,140	7,140	0
<u>Other Operations</u>						
Other Economic and Community Development	223,504	0	223,504	275,000	275,000	51,496
Other Charges	344,445	0	344,445	340,026	380,026	35,581
Employee Benefits	7,323	0	7,323	5,000	10,000	2,677
Miscellaneous	10,392	0	10,392	10,393	10,393	1
<u>Capital Projects</u>						
Other General Government Projects	6,163	0	6,163	150,000	173,000	166,837
Education Capital Projects	7,264	0	7,264	0	7,264	0
<b>Total Expenditures</b>	<b>\$ 3,563,403</b>	<b>\$ (189,609)</b>	<b>\$ 3,373,794</b>	<b>\$ 3,894,704</b>	<b>\$ 3,969,985</b>	<b>\$ 596,191</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (182,838)	\$ 189,609	\$ 6,771	\$ (762,846)	\$ (774,081)	\$ 780,852
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 190,000	\$ 0	\$ 190,000	\$ 170,000	\$ 170,000	\$ 20,000
Transfers In	0	0	0	147,441	78,644	(78,644)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 190,000</b>	<b>\$ 0</b>	<b>\$ 190,000</b>	<b>\$ 317,441</b>	<b>\$ 248,644</b>	<b>\$ (58,644)</b>
Net Change in Fund Balance	\$ 7,162	\$ 189,609	\$ 196,771	\$ (445,405)	\$ (525,437)	\$ 722,208
Fund Balance, July 1, 2004	1,671,349	(189,609)	1,481,740	1,050,530	1,050,530	431,210
Fund Balance, June 30, 2005	\$ 1,678,511	\$ 0	\$ 1,678,511	\$ 605,125	\$ 525,093	\$ 1,153,418

Exhibit E-2

Hartsville/Trousdale County Government, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Urban Services Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 432,546	\$ 422,850	\$ 422,850	\$ 9,696
Licenses and Permits	5,225	5,000	5,000	225
Charges for Current Services	98,223	95,000	95,000	3,223
Other Local Revenues	515	0	0	515
Total Revenues	<u>\$ 536,509</u>	<u>\$ 522,850</u>	<u>\$ 522,850</u>	<u>\$ 13,659</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 214,078	\$ 215,139	\$ 215,139	\$ 1,061
Fire Prevention and Control	2,087	2,500	2,500	413
<u>Public Health and Welfare</u>				
Rabies and Animal Control	11,347	13,371	13,371	2,024
Waste Pickup	133,201	147,729	147,729	14,528
<u>Social, Cultural and Recreational Services</u>				
Other Social, Cultural and Recreational	1,500	5,000	5,000	3,500
<u>Other Operations</u>				
Other Charges	68,680	83,500	83,500	14,820
Employee Benefits	8,884	2,000	25,000	16,116
<u>Highways</u>				
Highway and Bridge Maintenance	33,484	50,000	50,000	16,516
<u>Principal</u>				
General Government	36,166	36,166	36,166	0
<u>Interest</u>				
General Government	6,085	6,086	6,086	1
<u>Capital Projects</u>				
General Administration Projects	4,661	20,000	20,000	15,339
Total Expenditures	<u>\$ 520,173</u>	<u>\$ 581,491</u>	<u>\$ 604,491</u>	<u>\$ 84,318</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,336	\$ (58,641)	\$ (81,641)	\$ 97,977
Net Change in Fund Balance	\$ 16,336	\$ (58,641)	\$ (81,641)	\$ 97,977
Fund Balance, July 1, 2004	428,180	395,181	395,181	32,999
Fund Balance, June 30, 2005	<u>\$ 444,516</u>	<u>\$ 336,540</u>	<u>\$ 313,540</u>	<u>\$ 130,976</u>

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 7,776	\$ 0	\$ 7,776	\$ 1,250	\$ 4,600	\$ 3,176
State of Tennessee	1,446,340	0	1,446,340	1,421,300	1,471,300	(24,960)
Total Revenues	<u>\$ 1,454,116</u>	<u>\$ 0</u>	<u>\$ 1,454,116</u>	<u>\$ 1,422,550</u>	<u>\$ 1,475,900</u>	<u>\$ (21,784)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 104,760	\$ 0	\$ 104,760	\$ 108,318	\$ 109,416	\$ 4,656
Highway and Bridge Maintenance	828,544	0	828,544	900,200	911,200	82,656
Operation and Maintenance of Equipment	188,368	0	188,368	161,640	204,040	15,672
Other Charges	150,960	0	150,960	166,994	166,994	16,034
Employee Benefits	62,100	0	62,100	73,100	73,100	11,000
Capital Outlay	306,009	238,196	544,205	197,500	580,818	36,613
Total Expenditures	<u>\$ 1,640,741</u>	<u>\$ 238,196</u>	<u>\$ 1,878,937</u>	<u>\$ 1,607,752</u>	<u>\$ 2,045,568</u>	<u>\$ 166,631</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (186,625)</u>	<u>\$ (238,196)</u>	<u>\$ (424,821)</u>	<u>\$ (185,202)</u>	<u>\$ (569,668)</u>	<u>\$ 144,847</u>
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 350,000	\$ 0	\$ 350,000	\$ 0	\$ 350,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 163,375	\$ (238,196)	\$ (74,821)	\$ (185,202)	\$ (219,668)	\$ 144,847
Fund Balance, July 1, 2004	267,784	0	267,784	250,236	250,236	17,548
Fund Balance, June 30, 2005	<u>\$ 431,159</u>	<u>\$ (238,196)</u>	<u>\$ 192,963</u>	<u>\$ 65,034</u>	<u>\$ 30,568</u>	<u>\$ 162,395</u>

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

The government 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 government'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. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**

The General Fund's actual fund balance at July 1, 2004, was \$1,481,740; however, the estimated fund balance reflected in the government's budget was \$1,050,530. Therefore, the actual fund balance was \$431,210 more than the estimated fund balance presented to the County Commission.

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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 expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions relating to the disposal of solid waste.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for transactions relating to industrial/economic development.

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenues for the benefit of the Office of the District Attorney General.

## Debt Service Funds

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

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

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.

## Capital Projects Fund

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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Education Capital Projects Fund – The Education Capital Projects Fund is used to account for other loan proceeds used for construction of major educational capital facilities.

Hartsville/Trousdale County Government, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

Exhibit F-1

	Special Revenue Funds				
	Solid Waste/Sanitation	Industrial/Economic Development	Drug Control	District Attorney General	Total
<b>ASSETS</b>					
Equity in Pooled Cash and Investments	\$ 183,955	\$ 555,805	\$ 37,510	\$ 5,046	\$ 782,316
Accounts Receivable	14,100	0	0	0	14,100
Due from Other Governments	1,359	0	0	0	1,359
Due from Other Funds	286	0	0	0	286
Property Taxes Receivable	232,658	0	0	0	232,658
Allowance for Uncollectible Property Taxes	(9,492)	0	0	0	(9,492)
<b>Total Assets</b>	<b>\$ 422,866</b>	<b>\$ 555,805</b>	<b>\$ 37,510</b>	<b>\$ 5,046</b>	<b>\$ 1,021,227</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<u>Liabilities</u>					
Accounts Payable	\$ 12,226	\$ 0	\$ 0	\$ 0	\$ 12,226
Retainage Payable	0	0	0	0	0
Due to Other Funds	1,449	0	0	0	1,449
Deferred Revenue - Current Property Taxes	206,702	0	0	0	206,702
Deferred Revenue - Delinquent Property Taxes	16,464	0	0	0	16,464
<b>Total Liabilities</b>	<b>\$ 236,841</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 236,841</b>
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 7,482	\$ 0	\$ 7,482
Reserved for Capital Outlay	21,582	0	0	0	21,582
Unreserved	164,443	555,805	30,028	5,046	755,322
<b>Total Fund Balances</b>	<b>\$ 186,025</b>	<b>\$ 555,805</b>	<b>\$ 37,510</b>	<b>\$ 5,046</b>	<b>\$ 784,386</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 422,866</b>	<b>\$ 555,805</b>	<b>\$ 37,510</b>	<b>\$ 5,046</b>	<b>\$ 1,021,227</b>

(Continued)

Hartsville/Trousdale County Government, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds (Cont.)

Exhibit F-1

	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	General Debt Service	Education Debt Service	Total	Education Capital Projects	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 338,341	\$ 545,780	\$ 884,121	\$ 12,383	\$ 1,678,820
Accounts Receivable	0	0	0	0	14,100
Due from Other Governments	0	0	0	0	1,359
Due from Other Funds	0	0	0	0	286
Property Taxes Receivable	77,553	116,329	193,882	0	426,540
Allowance for Uncollectible Property Taxes	(3,164)	(4,746)	(7,910)	0	(17,402)
Total Assets	\$ 412,730	\$ 657,363	\$ 1,070,093	\$ 12,383	\$ 2,103,703
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	12,226
Retainage Payable	0	0	0	10,000	10,000
Due to Other Funds	0	0	0	0	1,449
Deferred Revenue - Current Property Taxes	68,901	103,351	172,252	0	378,954
Deferred Revenue - Delinquent Property Taxes	5,488	8,232	13,720	0	30,184
Total Liabilities	\$ 74,389	\$ 111,583	\$ 185,972	\$ 10,000	\$ 432,813
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 0	7,482
Reserved for Capital Outlay	0	0	0	0	21,582
Unreserved	338,341	545,780	884,121	2,383	1,641,826
Total Fund Balances	\$ 338,341	\$ 545,780	\$ 884,121	\$ 2,383	\$ 1,670,890
Total Liabilities and Fund Balances	\$ 412,730	\$ 657,363	\$ 1,070,093	\$ 12,383	\$ 2,103,703

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

Exhibit F-2

	Special Revenue Funds				
	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control	District Attorney General	Total
<u>Revenues</u>					
Local Taxes	\$ 219,408	\$ 0	\$ 0	\$ 0	\$ 219,408
Fines, Forfeitures and Penalties	0	0	20,071	17,713	37,784
Charges for Current Services	89,426	0	0	0	89,426
Other Local Revenues	11,669	131,303	0	750	143,722
State of Tennessee	4,718	0	14,987	0	19,705
Other Governments and Citizens Groups	0	0	0	5,000	5,000
Total Revenues	\$ 325,221	\$ 131,303	\$ 35,058	\$ 23,463	\$ 515,045
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 18,735	\$ 18,735
Public Safety	0	0	28,128	0	28,128
Public Health and Welfare	471,465	0	0	0	471,465
Other Operations	7,309	32,366	0	0	39,675
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Other Debt Service	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 478,774	\$ 32,366	\$ 28,128	\$ 18,735	\$ 558,003
Excess (Deficiency) of Revenues Over Expenditures	\$ (153,553)	\$ 98,937	\$ 6,930	\$ 4,728	\$ (42,958)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 175,000	\$ 0	\$ 0	\$ 0	\$ 175,000
Other Loans Issued	0	0	0	0	0
Transfers In	0	0	0	0	0
Transfers Out	(11,555)	0	0	0	(11,555)
Total Other Financing Sources (Uses)	\$ 163,445	\$ 0	\$ 0	\$ 0	\$ 163,445
Net Change in Fund Balances	\$ 9,892	\$ 98,937	\$ 6,930	\$ 4,728	\$ 120,487
Fund Balance, July 1, 2004	176,133	456,868	30,580	318	663,899
Fund Balance, June 30, 2005	\$ 186,025	\$ 555,805	\$ 37,510	\$ 5,046	\$ 784,386

(Continued)

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

Exhibit F-2

	Debt Service Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	General Debt Service	Education Debt Service	Total	Education Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 100,036	\$ 466,981	\$ 567,017	\$ 0	\$ 786,425
Fines, Forfeitures and Penalties	0	0	0	0	37,784
Charges for Current Services	0	0	0	0	89,426
Other Local Revenues	0	14,437	14,437	1,106	159,265
State of Tennessee	0	0	0	0	19,705
Other Governments and Citizens Groups	170,000	75,000	245,000	306,255	556,255
Total Revenues	\$ 270,036	\$ 556,418	\$ 826,454	\$ 307,361	\$ 1,648,860
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,735
Public Safety	0	0	0	0	28,128
Public Health and Welfare	0	0	0	0	471,465
Other Operations	0	0	0	0	39,675
Debt Service:					
Principal	227,400	326,000	553,400	0	553,400
Interest	62,044	186,504	248,548	0	248,548
Other Debt Service	3,228	5,916	9,144	0	9,144
Capital Projects	0	0	0	562,064	562,064
Total Expenditures	\$ 292,672	\$ 518,420	\$ 811,092	\$ 562,064	\$ 1,931,159
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,636)	\$ 37,998	\$ 15,362	\$ (254,703)	\$ (282,299)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 175,000
Other Loans Issued	0	0	0	434,008	434,008
Transfers In	11,555	0	11,555	0	11,555
Transfers Out	0	0	0	0	(11,555)
Total Other Financing Sources (Uses)	\$ 11,555	\$ 0	\$ 11,555	\$ 434,008	\$ 609,008
Net Change in Fund Balances	\$ (11,081)	\$ 37,998	\$ 26,917	\$ 179,305	\$ 326,709
Fund Balance, July 1, 2004	349,422	507,782	857,204	(176,922)	1,344,181
Fund Balance, June 30, 2005	\$ 338,341	\$ 545,780	\$ 884,121	\$ 2,383	\$ 1,670,890

Exhibit F-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 219,408	\$ 205,136	\$ 205,136	\$ 14,272
Charges for Current Services	89,426	78,000	78,000	11,426
Other Local Revenues	11,669	5,000	5,000	6,669
State of Tennessee	4,718	4,000	4,000	718
Total Revenues	<u>\$ 325,221</u>	<u>\$ 292,136</u>	<u>\$ 292,136</u>	<u>\$ 33,085</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 330,345	\$ 181,659	\$ 356,659	\$ 26,314
Other Waste Disposal	131,668	144,000	144,000	12,332
Postclosure Care Costs	9,452	18,700	18,700	9,248
<u>Other Operations</u>				
Other Charges	7,309	9,000	9,000	1,691
Total Expenditures	<u>\$ 478,774</u>	<u>\$ 353,359</u>	<u>\$ 528,359</u>	<u>\$ 49,585</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (153,553)</u>	<u>\$ (61,223)</u>	<u>\$ (236,223)</u>	<u>\$ 82,670</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 175,000	0	\$ 175,000	0
Transfers Out	(11,555)	0	0	(11,555)
Total Other Financing Sources (Uses)	<u>\$ 163,445</u>	<u>\$ 0</u>	<u>\$ 175,000</u>	<u>\$ (11,555)</u>
Net Change in Fund Balance	\$ 9,892	\$ (61,223)	\$ (61,223)	\$ 71,115
Fund Balance, July 1, 2004	176,133	135,505	135,505	40,628
Fund Balance, June 30, 2005	<u>\$ 186,025</u>	<u>\$ 74,282</u>	<u>\$ 74,282</u>	<u>\$ 111,743</u>

Exhibit F-4

Hartsville/Trousdale County Government, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Industrial/Economic Development 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	\$ 131,303	\$ 300,000	\$ 300,000	\$ (168,697)
Total Revenues	\$ 131,303	\$ 300,000	\$ 300,000	\$ (168,697)
<u>Expenditures</u>				
Other Operations				
Industrial Development	\$ 32,366	\$ 300,000	\$ 300,000	\$ 267,634
Total Expenditures	\$ 32,366	\$ 300,000	\$ 300,000	\$ 267,634
Excess (Deficiency) of Revenues Over Expenditures	\$ 98,937	\$ 0	\$ 0	\$ 98,937
Net Change in Fund Balance	\$ 98,937	\$ 0	\$ 0	\$ 98,937
Fund Balance, July 1, 2004	456,868	536,103	536,103	(79,235)
Fund Balance, June 30, 2005	\$ 555,805	\$ 536,103	\$ 536,103	\$ 19,702

Exhibit F-5

Hartsville/Trousdale County Government, 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	\$ 20,071	\$ 6,500	\$ 6,500	\$ 13,571
State of Tennessee	14,987	15,000	15,000	(13)
Total Revenues	<u>\$ 35,058</u>	<u>\$ 21,500</u>	<u>\$ 21,500</u>	<u>\$ 13,558</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 28,128	\$ 35,950	\$ 35,950	\$ 7,822
Total Expenditures	<u>\$ 28,128</u>	<u>\$ 35,950</u>	<u>\$ 35,950</u>	<u>\$ 7,822</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,930</u>	<u>\$ (14,450)</u>	<u>\$ (14,450)</u>	<u>\$ 21,380</u>
Net Change in Fund Balance	\$ 6,930	\$ (14,450)	\$ (14,450)	\$ 21,380
Fund Balance, July 1, 2004	<u>30,580</u>	<u>25,327</u>	<u>25,327</u>	<u>5,253</u>
Fund Balance, June 30, 2005	<u>\$ 37,510</u>	<u>\$ 10,877</u>	<u>\$ 10,877</u>	<u>\$ 26,633</u>

Exhibit F-6

Hartsville/Trousdale County Government, 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	\$ 100,036	\$ 88,012	\$ 88,012	\$ 12,024
Other Governments and Citizens Groups	170,000	0	170,000	0
Total Revenues	<u>\$ 270,036</u>	<u>\$ 88,012</u>	<u>\$ 258,012</u>	<u>\$ 12,024</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 92,000	\$ 92,000	\$ 92,000	\$ 0
Education	135,400	233,860	135,400	0
<u>Interest</u>				
General Government	9,086	9,087	9,087	1
Education	52,958	0	98,460	45,502
<u>Other Debt Service</u>				
General Government	3,228	8,000	8,000	4,772
Education	0	2,000	2,000	2,000
Total Expenditures	<u>\$ 292,672</u>	<u>\$ 344,947</u>	<u>\$ 344,947</u>	<u>\$ 52,275</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,636)	\$ (256,935)	\$ (86,935)	\$ 64,299
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 11,555	\$ 170,000	\$ 0	\$ 11,555
Total Other Financing Sources (Uses)	<u>\$ 11,555</u>	<u>\$ 170,000</u>	<u>\$ 0</u>	<u>\$ 11,555</u>
Net Change in Fund Balance	\$ (11,081)	\$ (86,935)	\$ (86,935)	\$ 75,854
Fund Balance, July 1, 2004	349,422	334,357	334,357	15,065
Fund Balance, June 30, 2005	<u>\$ 338,341</u>	<u>\$ 247,422</u>	<u>\$ 247,422</u>	<u>\$ 90,919</u>

Exhibit F-7

Hartsville/Trousdale County Government, 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	\$ 466,981	\$ 423,568	\$ 423,568	\$ 43,413
Other Local Revenues	14,437	3,000	3,000	11,437
Other Governments and Citizens Groups	75,000	0	75,000	0
Total Revenues	<u>\$ 556,418</u>	<u>\$ 426,568</u>	<u>\$ 501,568</u>	<u>\$ 54,850</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 326,000	\$ 531,000	\$ 326,000	\$ 0
<u>Interest</u>				
Education	186,504	0	205,000	18,496
<u>Other Debt Service</u>				
Education	5,916	7,000	7,000	1,084
Total Expenditures	<u>\$ 518,420</u>	<u>\$ 538,000</u>	<u>\$ 538,000</u>	<u>\$ 19,580</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,998</u>	<u>\$ (111,432)</u>	<u>\$ (36,432)</u>	<u>\$ 74,430</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 75,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 75,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 37,998	\$ (36,432)	\$ (36,432)	\$ 74,430
Fund Balance, July 1, 2004	<u>507,782</u>	<u>483,107</u>	<u>483,107</u>	<u>24,675</u>
Fund Balance, June 30, 2005	<u>\$ 545,780</u>	<u>\$ 446,675</u>	<u>\$ 446,675</u>	<u>\$ 99,105</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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Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for state grants and other restricted revenues held in trust for the benefit of the Fifteenth Judicial District Drug Task Force.

Exhibit G-1

Hartsville/Trousdale County Government, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>		
	Constitu- tional Officers - Agency	Judicial District Drug	Total
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 0	\$ 286,582	\$ 286,582
Cash	276,325	0	276,325
Accounts Receivable	1,349	0	1,349
Due from Other Governments	0	37,830	37,830
Total Assets	<u>\$ 277,674</u>	<u>\$ 324,412</u>	<u>\$ 602,086</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 7,207	\$ 7,207
Cash Overdraft	937	0	937
Due to Other Funds	0	84	84
Due to Litigants, Heirs, and Others	276,737	0	276,737
Due to Joint Venture	0	317,121	317,121
Total Liabilities	<u>\$ 277,674</u>	<u>\$ 324,412</u>	<u>\$ 602,086</u>

Exhibit G-2

Hartsville/Trousdale County Government, 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>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 282,829	\$ 2,705,006	\$ 2,711,510	\$ 276,325
Accounts Receivable	1,453	1,349	1,453	1,349
Total Assets	\$ 284,282	\$ 2,706,355	\$ 2,712,963	\$ 277,674
<u>Liabilities</u>				
Cash Overdraft	\$ 1,392	\$ 937	\$ 1,392	\$ 937
Due to Litigants, Heirs, and Others	282,890	2,705,418	2,711,571	276,737
Total Liabilities	\$ 284,282	\$ 2,706,355	\$ 2,712,963	\$ 277,674
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 299,398	\$ 197,266	\$ 210,082	\$ 286,582
Due From Other Governments	27,212	37,830	27,212	37,830
Total Assets	\$ 326,610	\$ 235,096	\$ 237,294	\$ 324,412
<u>Liabilities</u>				
Accounts Payable	\$ 8,809	\$ 7,207	\$ 8,809	\$ 7,207
Due to Other Funds	30,275	84	30,275	84
Due to Joint Ventures	287,526	227,805	198,210	317,121
Total Liabilities	\$ 326,610	\$ 235,096	\$ 237,294	\$ 324,412
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 299,398	\$ 197,266	\$ 210,082	\$ 286,582
Cash	282,829	2,705,006	2,711,510	276,325
Accounts Receivable	1,453	1,349	1,453	1,349
Due From Other Governments	27,212	37,830	27,212	37,830
Total Assets	\$ 610,892	\$ 2,941,451	\$ 2,950,257	\$ 602,086
<u>Liabilities</u>				
Accounts Payable	\$ 8,809	\$ 7,207	\$ 8,809	\$ 7,207
Cash Overdraft	1,392	937	1,392	937
Due to Other Funds	30,275	84	30,275	84
Due to Litigants, Heirs, and Others	282,890	2,705,418	2,711,571	276,737
Due to Joint Ventures	287,526	227,805	198,210	317,121
Total Liabilities	\$ 610,892	\$ 2,941,451	\$ 2,950,257	\$ 602,086

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Hartsville/Trousdale County Government, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases,  
Other Loans, and Bonds  
Primary Government  
For the Year Ended June 30, 2005

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Matured During Period	Outstanding 6-30-05
<b><u>NOTES PAYABLE</u></b>								
Payable through General Debt Service Fund:								
Jail Expansion	\$ 460,000	3 to 5.4%	4-1-1993	6-30-05	\$ 50,000	\$ 0	\$ 50,000	\$ 0
Landfill Closure	300,000	5	8-9-1995	7-15-05	75,000	0	35,000	40,000
Leachate Collection Trench	72,000	4.65	4-1-04	3-1-13	72,000	0	7,000	65,000
Highway Equipment/ Solid Waste Truck	525,000	4.68	3-1-05	3-1-15	0	525,000	0	525,000
Fire Truck	190,000	4.21	3-7-05	3-1-14	0	190,000	0	190,000
Total Payable through General Debt Service Fund					<u>\$ 197,000</u>	<u>\$ 715,000</u>	<u>\$ 92,000</u>	<u>\$ 820,000</u>
Payable through Urban Services Fund:								
Park and Recreation Note	117,000	5.47	4-11-00	4-1-06	\$ 43,000	\$ 0	\$ 21,000	\$ 22,000
Payable through Highway/Public Works Fund:								
Highway Equipment	300,000	4.96	7-6-1999	7-6-05	\$ 74,450 (2)	\$ 0	\$ 45,000	\$ 29,450
Highway Equipment	75,000	5.44	10-13-00	10-13-04	6,910 (3)	0	6,910	0
Total Payable through Highway/Public Works Fund					<u>\$ 81,360</u>	<u>\$ 0</u>	<u>\$ 51,910</u>	<u>\$ 29,450</u>
Total Notes Payable					<u>\$ 321,360</u>	<u>\$ 715,000</u>	<u>\$ 164,910</u>	<u>\$ 871,450</u>
<b><u>CAPITAL LEASES PAYABLE</u></b>								
Payable through General Fund:								
Sheriff's Commissary Computer Equipment	5,200	0	11-5-02	10-31-07	\$ 3,480	\$ 0	\$ 1,040	\$ 2,440
<b><u>OTHER LOANS PAYABLE</u></b>								
Payable through General Debt Service Fund:								
School Construction	3,000,000	Variable	10-11-1995	5-25-16	\$ 2,112,817	\$ 0	\$ 135,400	\$ 1,977,417
Payable through Education Debt Service Fund:								
School Construction	(1)	Variable	8-30-02	5-25-22	7,676,557	434,008	326,000	7,784,565
Total Other Loans Payable					<u>\$ 9,789,374</u>	<u>\$ 434,008</u>	<u>\$ 461,400</u>	<u>\$ 9,761,982</u>
<b><u>GENERAL BONDED DEBT</u></b>								
Payable through Urban Services Fund:								
Public Works Bonds	217,000	6.125	4-15-1988	4-15-08	\$ 65,929	\$ 0	\$ 15,166	\$ 50,763

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$8,500,000 of which \$8,425,565 had been received at June 30, 2005

(2) Beginning balance increased by \$4,450 due to error in prior year balance.

(3) Beginning balance increased by \$7 due to an error in prior year balance.

Exhibit H-2

Hartsville/Trousdale County Government, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 16,108	\$ 2,864	\$ 18,972
2007	17,109	1,863	18,972
2008	17,546	800	18,346
Total	<u>\$ 50,763</u>	<u>\$ 5,527</u>	<u>\$ 56,290</u>

Exhibit H-3

Hartsville/Trousdale County Government, 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>
Solid Waste/Sanitation	General Debt Service	Debt retirement	<u>\$ 11,555</u>
Total Transfers			<u><u>\$ 11,555</u></u>

Exhibit H-4

Hartsville/Trousdale County Government, 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 Executive	Section 8-24-102, <u>TCA</u>	\$ 49,051	\$ 25,000	State Automobile Mutual Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	46,715	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	42,469	325,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	35,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	35,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	47,597 (1)	35,000	"
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	47,234 (2)	25,000	"
Employee Blanket Bond Coverage:				
General County, Water Department and Highway Employees			150,000	Local Government Property and Casualty

(1) Includes special commissioner fees of \$5,128.

(2) Includes law enforcement training supplement of \$519.

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2005

	Special Revenue Funds				
	General	Urban Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,147,437	\$ 322,744	\$ 196,704	\$ 0	\$ 0
Discount on Property Taxes	(7,347)	(2,111)	(1,260)	0	0
Trustee's Collections - Prior Year	84,464	30,635	15,686	0	0
Circuit/Clerk & Master Collections - Prior Years	14,150	4,255	2,543	0	0
Interest and Penalty	14,497	5,499	2,669	0	0
Payments in Lieu of Taxes - T.V.A.	16,961	0	0	0	0
Payments in Lieu of Taxes - Other	4,342	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	348,006	0	0	0	0
Wheel Tax	0	0	0	0	0
Litigation Tax - General	41,687	0	0	0	0
Litigation Tax - Special Purpose	24,662	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	17,886	0	3,066	0	0
Adequate Facilities/Development Tax	0	0	0	0	0
Other County Local Option Taxes	0	38,925	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	42,514	0	0	0	0
Wholesale Beer Tax	134,631	0	0	0	0
Interstate Telecommunications Tax	852	0	0	0	0
Other Statutory Local Taxes	0	32,599	0	0	0
<u>City Local Option Taxes</u>					
Local Option Sales Tax	144,712	0	0	0	0
Total Local Taxes	\$ 2,029,454	\$ 432,546	\$ 219,408	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 5,225	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Building Permits	27,880	0	0	0	0
Total Licenses and Permits	\$ 27,880	\$ 5,225	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Urban Services	Solid Waste/Sanitation	Industrial/Economic Development	Drug Control
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 1,673	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,400	0	0	0	0
Drug Control Fines	0	0	0	0	888
Data Entry Fee - Circuit Court	361	0	0	0	0
<u>General Sessions Court</u>					
Fines	20,815	0	0	0	0
Officers Costs	29,427	0	0	0	0
Game and Fish Fines	360	0	0	0	0
Drug Control Fines	0	0	0	0	8,699
Jail Fees	1,875	0	0	0	0
DUI Treatment Fines	4,417	0	0	0	0
Data Entry Fee - General Sessions Court	6,033	0	0	0	0
<u>Juvenile Court</u>					
Officers Costs	852	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	1,168	0	0	0	0
Data Entry Fee - Chancery Court	134	0	0	0	0
<u>Courts in Other District Counties</u>					
District Attorney General Fees	0	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	7,506
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	639	0	0	0	2,978
Total Fines, Forfeitures and Penalties	\$ 69,154	\$ 0	\$ 0	\$ 0	20,071
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 89,426	\$ 0	0
Residential Waste Collection Charge	0	98,223	0	0	0
Zoning Studies	1,200	0	0	0	0
Other General Service Charges	11,073	0	0	0	0

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Urban Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Charges for Current Services (Cont.)</u>					
<u>Fees</u>					
Copy Fees	\$ 3,331	\$ 0	\$ 0	\$ 0	\$ 0
Telephone Commissions	2,872	0	0	0	0
Data Processing Fee - Register	4,340	0	0	0	0
Data Processing Fee - Sheriff	319	0	0	0	0
Sexual Offender Registration Fee	600	0	0	0	0
Total Charges for Current Services	\$ 23,735	\$ 98,223	\$ 89,426	\$ 0	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 125,117	\$ 0	\$ 0	\$ 40,313	\$ 0
Lease/Rentals	28,850	0	0	0	0
Commissary Sales	7,402	0	0	0	0
Sale of Gasoline	147,069	0	0	0	0
Sale of Recycled Materials	0	0	11,383	0	0
Miscellaneous Refunds	8,737	0	286	0	0
<u>Nonrecurring Items</u>					
Insurance Recovery	3,051	0	0	0	0
Sale of Equipment	7,875	0	0	0	0
Sale of Property	0	0	0	90,990	0
Damages Recovered from Individuals	10	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	986	515	0	0	0
Total Other Local Revenues	\$ 329,097	\$ 515	\$ 11,669	\$ 131,303	\$ 0
<u>Fees Received from County Officials</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 77,042	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	96,654	0	0	0	0
Clerk and Master	14,892	0	0	0	0
Register	48,408	0	0	0	0
Sheriff	4,671	0	0	0	0
Trustee	106,502	0	0	0	0
Total Fees Received from County Officials	\$ 348,169	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds				
	General	Urban Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	23,700	0	0	0	0
State Reappraisal Grant	2,022	0	0	0	0
Solid Waste Grants	0	0	4,718	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	7,262	0	0	0	0
Drug Control Grants	0	0	0	0	14,987
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
State Aid Program	0	0	0	0	0
Litter Program	30,054	0	0	0	0
<u>State Education Funds</u>					
Other State Education Funds	7,264	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	12,181	0	0	0	0
Beer Tax	17,952	0	0	0	0
Alcoholic Beverage Tax	9,083	0	0	0	0
Emergency Hospital - Prisoners	15,677	0	0	0	0
Board of Jurors	10	0	0	0	0
Contracted Prisoner Boarding	133,315	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	17,054	0	0	0	0
Other State Grants	2,500	0	0	0	0
Total State of Tennessee	\$ 287,074	\$ 0	\$ 4,718	\$ 0	\$ 14,987
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 223,504	\$ 0	\$ 0	\$ 0	\$ 0
Medicaid	800	0	0	0	0
Other Federal through State	26,004	0	0	0	0

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	<u>Special Revenue Funds</u>				
	General	Urban Services	Solid Waste/ Sanitation	Industrial/ Economic Development	Drug Control
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Police Service (Lake Area)	\$ 8,956	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	<u>\$ 259,264</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	2,500	0	0	0	0
<u>Citizens Groups</u>					
Donations	4,238	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 6,738</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 3,380,565</u>	<u>\$ 536,509</u>	<u>\$ 325,221</u>	<u>\$ 131,303</u>	<u>\$ 35,058</u>

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	District Attorney General	Highway/ Public Works	General Debt Service	Education Debt Service	Education Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 65,569	\$ 98,351	\$ 0	\$ 1,830,805
Discount on Property Taxes	0	0	(420)	(629)	0	(11,767)
Trustee's Collections - Prior Year	0	0	13,876	7,843	0	152,504
Circuit/Clerk & Master Collections - Prior Years	0	0	2,145	1,272	0	24,365
Interest and Penalty	0	0	2,206	1,334	0	26,205
Payments in Lieu of Taxes - T.V.A.	0	0	0	0	0	16,961
Payments in Lieu of Taxes - Other	0	0	0	0	0	4,342
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	348,006
Wheel Tax	0	0	0	312,277	0	312,277
Litigation Tax - General	0	0	0	0	0	41,687
Litigation Tax - Special Purpose	0	0	0	0	0	24,662
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	15,638	0	0	15,638
Business Tax	0	0	1,022	1,533	0	23,507
Adequate Facilities/Development Tax	0	0	0	45,000	0	45,000
Other County Local Option Taxes	0	0	0	0	0	38,925
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	0	42,514
Wholesale Beer Tax	0	0	0	0	0	134,631
Interstate Telecommunications Tax	0	0	0	0	0	852
Other Statutory Local Taxes	0	0	0	0	0	32,599
<u>City Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	144,712
Total Local Taxes	\$ 0	\$ 0	\$ 100,036	\$ 466,981	\$ 0	\$ 3,248,425
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,225
<u>Permits</u>						
Building Permits	0	0	0	0	0	27,880
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,105

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	District Attorney General	Highway/ Public Works	General Debt Service	Education Debt Service	Education Capital Projects	
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,673
Officers Costs	0	0	0	0	0	1,400
Drug Control Fines	0	0	0	0	0	888
Data Entry Fee - Circuit Court	0	0	0	0	0	361
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	20,815
Officers Costs	0	0	0	0	0	29,427
Game and Fish Fines	0	0	0	0	0	360
Drug Control Fines	0	0	0	0	0	8,699
Jail Fees	0	0	0	0	0	1,875
DUI Treatment Fines	0	0	0	0	0	4,417
Data Entry Fee - General Sessions Court	0	0	0	0	0	6,033
<u>Juvenile Court</u>						
Officers Costs	0	0	0	0	0	852
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	1,168
Data Entry Fee - Chancery Court	0	0	0	0	0	134
<u>Courts in Other District Counties</u>						
District Attorney General Fees	17,713	0	0	0	0	17,713
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	0	7,506
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	3,617
Total Fines, Forfeitures and Penalties	\$ 17,713	\$ 0	\$ 0	\$ 0	\$ 0	106,938
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	89,426
Residential Waste Collection Charge	0	0	0	0	0	98,223
Zoning Studies	0	0	0	0	0	1,200
Other General Service Charges	0	0	0	0	0	11,073

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	
	District Attorney General	Highway/ Public Works	General Debt Service	Education Debt Service	Education Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>						
<u>Fees</u>						
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,331
Telephone Commissions	0	0	0	0	0	2,872
Data Processing Fee - Register	0	0	0	0	0	4,340
Data Processing Fee - Sheriff	0	0	0	0	0	319
Sexual Offender Registration Fee	0	0	0	0	0	600
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	211,384
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 2,645	\$ 0	\$ 14,437	\$ 1,106	\$ 183,618
Lease/Rentals	0	0	0	0	0	28,850
Commissary Sales	0	0	0	0	0	7,402
Sale of Gasoline	0	0	0	0	0	147,069
Sale of Recycled Materials	0	0	0	0	0	11,383
Miscellaneous Refunds	750	4,731	0	0	0	14,504
<u>Nonrecurring Items</u>						
Insurance Recovery	0	0	0	0	0	3,051
Sale of Equipment	0	400	0	0	0	8,275
Sale of Property	0	0	0	0	0	90,990
Damages Recovered from Individuals	0	0	0	0	0	10
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	1,501
Total Other Local Revenues	\$ 750	\$ 7,776	\$ 0	\$ 14,437	\$ 1,106	\$ 496,653
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	77,042
Circuit Court Clerk	0	0	0	0	0	96,654
Clerk and Master	0	0	0	0	0	14,892
Register	0	0	0	0	0	48,408
Sheriff	0	0	0	0	0	4,671
Trustee	0	0	0	0	0	106,502
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	348,169

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	District Attorney General	Highway/ Public Works	General Debt Service	Education Debt Service	Education Capital Projects	
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	0	0	0	0	0	23,700
State Reappraisal Grant	0	0	0	0	0	2,022
Solid Waste Grants	0	0	0	0	0	4,718
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	7,262
Drug Control Grants	0	0	0	0	0	14,987
<u>Public Works Grants</u>						
Bridge Program	0	93,222	0	0	0	93,222
State Aid Program	0	74,838	0	0	0	74,838
Litter Program	0	0	0	0	0	30,054
<u>State Education Funds</u>						
Other State Education Funds	0	0	0	0	0	7,264
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	12,181
Beer Tax	0	0	0	0	0	17,952
Alcoholic Beverage Tax	0	0	0	0	0	9,083
Emergency Hospital - Prisoners	0	0	0	0	0	15,677
Board of Jurors	0	0	0	0	0	10
Contracted Prisoner Boarding	0	0	0	0	0	133,315
Gasoline and Motor Fuel Tax	0	1,217,049	0	0	0	1,217,049
Petroleum Special Tax	0	11,231	0	0	0	11,231
Registrar's Salary Supplement	0	0	0	0	0	17,054
Other State Grants	0	50,000	0	0	0	52,500
Total State of Tennessee	\$ 0	\$ 1,446,340	\$ 0	\$ 0	\$ 0	1,753,119
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	223,504
Medicaid	0	0	0	0	0	800
Other Federal through State	0	0	0	0	0	26,004

(Continued)

Exhibit H-5

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types (Cont.)

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	
	<u>District Attorney General</u>	<u>Highway/ Public Works</u>	<u>General Debt Service</u>	<u>Education Debt Service</u>	<u>Education Capital Projects</u>	<u>Total</u>
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Police Service (Lake Area)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,956
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	259,264
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 5,000	\$ 0	\$ 170,000	\$ 75,000	\$ 306,255	556,255
Contracted Services	0	0	0	0	0	2,500
<u>Citizens Groups</u>						
Donations	0	0	0	0	0	4,238
Total Other Governments and Citizens Groups	\$ 5,000	\$ 0	\$ 170,000	\$ 75,000	\$ 306,255	562,993
Total	\$ 23,463	\$ 1,454,116	\$ 270,036	\$ 556,418	\$ 307,361	7,020,050

Exhibit H-6

Hartsville/Trousdale County Government, 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	\$	6,840	
Other Per Diem & Fees		1,410	
Social Security		530	
Employer Medicare		101	
Audit Services		3,034	
Legal Notices, Recording and Court Costs		35	
Total County Commission			\$ 11,950

Beer Board

Board and Committee Members Fees	\$	20	
Total Beer Board			20

County Executive

County Official/Administrative Officer	\$	49,051	
Secretary(s)		62,802	
Social Security		7,087	
State Retirement		7,414	
Medical Insurance		10,268	
Employer Medicare		1,332	
Data Processing Services		4,899	
Legal Notices, Recording and Court Costs		164	
Printing, Stationery and Forms		2,001	
Travel		2,354	
Office Supplies		1,212	
Premiums on Corporate Surety Bonds		215	
Other Charges		6	
Office Equipment		3,507	
Total County Executive			152,312

County Attorney

County Official/Administrative Officer	\$	6,397	
Legal Services		250	
Total County Attorney			6,647

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	33,975	
Deputy(ies)		1,777	
Overtime Pay		173	
Election Commission		4,365	
Election Workers		6,417	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration) (Cont.)

In-Service Training	\$	62	
Social Security		2,554	
State Retirement		2,168	
Employer Medicare		507	
Data Processing Services		2,277	
Dues and Memberships		175	
Legal Notices, Recording and Court Costs		865	
Maintenance & Repair Services- Equipment		1,270	
Printing, Stationery and Forms		1,702	
Travel		1,384	
Office Supplies		187	
Other Charges		145	
Total Election Commission (Including Voter Registration)			\$ 60,003

Register of Deeds

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		8,092	
Social Security		3,206	
State Retirement		2,709	
Medical Insurance		4,546	
Employer Medicare		645	
Data Processing Services		4,114	
Dues and Memberships		95	
Printing, Stationery and Forms		1,529	
Office Supplies		1,136	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			68,641

Planning

County Official/Administrative Officer	\$	36,072	
In-Service Training		130	
Social Security		2,248	
State Retirement		2,301	
Medical Insurance		4,566	
Employer Medicare		453	
Dues and Memberships		7,000	
Legal Notices, Recording and Court Costs		298	
Printing, Stationery and Forms		300	
Gasoline		765	
Office Supplies		39	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Periodicals	\$	149	
Other Supplies and Materials		14	
Other Charges		1,222	
Office Equipment		550	
Total Planning			\$ 56,107

County Buildings

Attendants	\$	4,661	
Custodial Personnel		2,874	
Social Security		378	
State Retirement		267	
Employer Medicare		77	
Legal Notices, Recording and Court Costs		376	
Maintenance & Repair Services- Buildings		18,917	
Pest Control		777	
Custodial Supplies		8,230	
Electricity		25,428	
Natural Gas		22,670	
Water and Sewer		4,481	
Other Charges		1,017	
Total County Buildings			90,153

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Secretary(s)		20,426	
Board and Committee Members Fees		420	
Social Security		3,955	
State Retirement		4,013	
Medical Insurance		9,131	
Employer Medicare		796	
Dues and Memberships		35	
Legal Notices, Recording and Court Costs		31	
Maintenance & Repair Services- Vehicles		591	
Printing, Stationery and Forms		816	
Other Contracted Services		3,705	
Gasoline		718	
Office Supplies		255	
Premiums on Corporate Surety Bonds		100	
Total Property Assessor's Office			87,461

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		13,647	
Social Security		3,020	
State Retirement		3,255	
Medical Insurance		6,466	
Employer Medicare		620	
Data Processing Services		3,907	
Dues and Memberships		100	
Legal Notices, Recording and Court Costs		29	
Printing, Stationery and Forms		3,230	
Office Supplies		291	
Premiums on Corporate Surety Bonds		1,038	
Office Equipment		258	
Total County Trustee's Office			\$ 78,330

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		20,275	
Social Security		3,940	
State Retirement		3,948	
Medical Insurance		4,546	
Employer Medicare		795	
Dues and Memberships		50	
Legal Notices, Recording and Court Costs		10	
Maintenance & Repair Services- Office Equipment		134	
Printing, Stationery and Forms		3,355	
Office Supplies		684	
Premiums on Corporate Surety Bonds		225	
Office Equipment		418	
Total County Clerk's Office			80,849

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		43,950	
Overtime Pay		312	
Board and Committee Members Fees		250	
Jury and Witness Fees		2,522	
Social Security		5,422	
State Retirement		5,533	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Medical Insurance	\$	13,289	
Employer Medicare		1,094	
Dues and Memberships		60	
Legal Services		40	
Legal Notices, Recording and Court Costs		82	
Printing, Stationery and Forms		4,932	
Office Supplies		676	
Periodicals		23	
Premiums on Corporate Surety Bonds		225	
Office Equipment		297	
Total Circuit Court			\$ 121,176

General Sessions Court

Judge(s)	\$	42,826	
Temporary Personnel		494	
Other Salaries & Wages		4,100	
Social Security		2,545	
State Retirement		2,732	
Medical Insurance		1,900	
Employer Medicare		507	
Total General Sessions Court			55,104

Chancery Court

County Official/Administrative Officer	\$	42,469	
Social Security		2,691	
State Retirement		2,709	
Medical Insurance		4,566	
Employer Medicare		542	
Dues and Memberships		60	
Printing, Stationery and Forms		354	
Office Supplies		374	
Periodicals		369	
Premiums on Corporate Surety Bonds		225	
Office Equipment		499	
Total Chancery Court			54,858

Judicial Commissioners

In-Service Training	\$	720	
Social Security		797	
Employer Medicare		167	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Dues and Memberships	\$	70	
Other Contracted Services		12,605	
Total Judicial Commissioners			\$ 14,359

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	46,715	
Deputy(ies)		245,384	
Salary Supplements		7,262	
Dispatchers/Radio Operators		89,510	
Laborers		316	
Overtime Pay		33,851	
In-Service Training		12,511	
Social Security		25,515	
State Retirement		27,696	
Medical Insurance		57,529	
Employer Medicare		6,290	
Communication		506	
Data Processing Services		13,064	
Dues and Memberships		900	
Legal Notices, Recording and Court Costs		73	
Maintenance & Repair Services- Equipment		3,696	
Maintenance & Repair Services- Vehicles		34,749	
Medical and Dental Services		780	
Printing, Stationery and Forms		2,599	
Rentals		4,489	
Tow-in Services		345	
Travel		304	
Electricity		409	
Gasoline		21,145	
Law Enforcement Supplies		3,617	
Office Supplies		1,521	
Periodicals		325	
Uniforms		9,644	
Other Supplies and Materials		167	
Premiums on Corporate Surety Bonds		225	
Other Charges		3,536	
Principal on Capitalized Leases		1,040	
Law Enforcement Equipment		2,407	
Motor Vehicles		18,443	
Office Equipment		1,597	
Total Sheriff's Department			678,160

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement

Deputy(ies)	\$	20,573	
Social Security		4,268	
State Retirement		5,967	
Medical Insurance		5,507	
Employer Medicare		825	
Gasoline		2,081	
Total Drug Enforcement			\$ 39,221

Administration of the Sexual Offender Registry

Other Equipment	\$	280	
Total Administration of the Sexual Offender Registry			280

Jail

Guards	\$	227,047	
Cafeteria Personnel		8,755	
Overtime Pay		15,557	
In-Service Training		22	
Social Security		15,321	
State Retirement		15,089	
Medical Insurance		39,608	
Employer Medicare		3,108	
Data Processing Services		7,505	
Maintenance & Repair Services- Buildings		4,032	
Maintenance & Repair Services- Equipment		1,054	
Medical and Dental Services		129,915	
Pest Control		418	
Printing, Stationery and Forms		706	
Rentals		542	
Custodial Supplies		673	
Electricity		11,248	
Food Supplies		36,376	
Natural Gas		4,726	
Office Supplies		1,650	
Prisoners Clothing		3,519	
Water and Sewer		7,592	
Other Supplies and Materials		53	
Other Equipment		1,398	
Total Jail			535,914

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Workhouse

Guards	\$	23,892	
Overtime Pay		1,486	
Social Security		1,598	
State Retirement		1,413	
Medical Insurance		4,546	
Employer Medicare		327	
Maintenance & Repair Services- Vehicles		835	
Gasoline		2,412	
Total Workhouse			\$ 36,509

Juvenile Services

Other Salaries & Wages	\$	16,071	
Social Security		996	
Employer Medicare		233	
Travel		320	
Other Charges		7,916	
Total Juvenile Services			25,536

Fire Prevention and Control

In-Service Training	\$	3,758	
Contributions		8,695	
Dues and Memberships		100	
Legal Notices, Recording and Court Costs		9	
Maintenance & Repair Services- Buildings		9	
Maintenance & Repair Services- Equipment		4,077	
Maintenance & Repair Services- Vehicles		282	
Medical and Dental Services		575	
Tow-in Services		125	
Electricity		192	
Equipment and Machinery Parts		328	
Gasoline		910	
Other Supplies and Materials		589	
Other Charges		11	
Motor Vehicles		189,609	
Other Equipment		25,858	
Total Fire Prevention and Control			235,127

Civil Defense

In-Service Training	\$	125	
Legal Notices, Recording and Court Costs		20	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Maintenance & Repair Services- Equipment	\$	217	
Maintenance & Repair Services- Vehicles		608	
Gasoline		462	
Natural Gas		596	
Water and Sewer		483	
Other Supplies and Materials		38	
Other Equipment		5,699	
Total Civil Defense			\$ 8,248

Inspection and Regulation

Supervisor/Director	\$	3,838	
Social Security		300	
State Retirement		510	
Drugs and Medical Supplies		116	
Other Supplies and Materials		10	
Total Inspection and Regulation			4,774

County Coroner/Medical Examiner

County Official/Administrative Officer	\$	14,280	
Other Charges		1,705	
Total County Coroner/Medical Examiner			15,985

Public Health and Welfare

Local Health Center

Communication	\$	978	
Contributions		6,750	
Dues and Memberships		200	
Maintenance & Repair Services- Buildings		6,829	
Maintenance & Repair Services- Equipment		2,307	
Pest Control		352	
Printing, Stationery and Forms		284	
Custodial Supplies		281	
Drugs and Medical Supplies		938	
Electricity		2,647	
Natural Gas		1,857	
Office Supplies		128	
Periodicals		38	
Water and Sewer		275	
Other Supplies and Materials		248	
Other Charges		80	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Equipment	\$ 550	
Total Local Health Center		\$ 24,742

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 178,056	
Total Ambulance/Emergency Medical Services		178,056

Alcohol and Drug Programs

Confidential Drug Enforcement Payments	\$ 2,655	
Total Alcohol and Drug Programs		2,655

Sanitation Education/Information

Education Media Personnel	\$ 5,297	
Guards	13,289	
Social Security	1,241	
State Retirement	1,186	
Employer Medicare	181	
Advertising	632	
Maintenance & Repair Services- Vehicles	1,050	
Custodial Supplies	260	
Gasoline	1,587	
Instructional Supplies and Materials	2,242	
Other Supplies and Materials	3,097	
Total Sanitation Education/Information		30,062

Other Public Health and Welfare

Contributions	\$ 10,000	
Total Other Public Health and Welfare		10,000

Social, Cultural and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 17,149	
Part-time Personnel	5,118	
Social Security	1,400	
State Retirement	1,094	
Medical Insurance	3,416	
Employer Medicare	284	
Communication	1,391	
Maintenance & Repair Services- Vehicles	420	
Postal Charges	189	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Other Contracted Services	\$	45	
Gasoline		192	
Other Supplies and Materials		3,399	
Office Equipment		597	
Other Equipment		778	
Total Senior Citizens Assistance			\$ 35,472

Libraries

Assistant(s)	\$	7,277	
Librarians		22,112	
Social Security		1,835	
State Retirement		1,246	
Medical Insurance		4,566	
Employer Medicare		386	
Contributions		17,400	
Water and Sewer		275	
Total Libraries			55,097

Parks and Fair Boards

Supervisor/Director	\$	6,978	
Laborers		5,460	
Temporary Personnel		9,516	
Social Security		1,482	
State Retirement		427	
Medical Insurance		909	
Employer Medicare		189	
Legal Notices, Recording and Court Costs		29	
Maintenance & Repair Services- Buildings		1,017	
Maintenance & Repair Services- Equipment		2,705	
Maintenance & Repair Services- Vehicles		551	
Medical and Dental Services		600	
Permits		680	
Custodial Supplies		692	
Electricity		8,103	
Fertilizer, Lime and Seed		490	
Food Supplies		736	
Gasoline		1,990	
Water and Sewer		3,098	
Chemicals		1,454	
Other Supplies and Materials		100	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Other Charges	\$	44	
Site Development		8,047	
Other Equipment		7,986	
Total Parks and Fair Boards			\$ 63,283

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	19,470	
Secretary(s)		5,298	
Social Security		1,785	
State Retirement		2,977	
Communication		4,034	
Contributions		4,000	
Office Supplies		1,477	
Other Supplies and Materials		103	
Other Charges		589	
Office Equipment		348	
Total Agriculture Extension Service			40,081

Soil Conservation

Contributions	\$	7,140	
Total Soil Conservation			7,140

Other Operations

Other Economic and Community Development

Engineering Services	\$	6,385	
Other Contracted Services		217,119	
Total Other Economic and Community Development			223,504

Other Charges

Mechanic(s)	\$	21,850	
Overtime Pay		205	
Other Salaries & Wages		5,211	
Social Security		1,707	
State Retirement		1,407	
Medical Insurance		4,546	
Employer Medicare		338	
Communication		23,750	
Evaluation and Testing		658	
Maintenance & Repair Services- Vehicles		1,500	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Postal Charges	\$	8,262	
Rentals		10,146	
Fuel Oil		154,648	
Liability Insurance		32,419	
Trustee's Commission		36,394	
Workers' Compensation Insurance		40,701	
Other Charges		703	
Total Other Charges			\$ 344,445

Employee Benefits

Handling Charges & Administrative Costs	\$	549	
State Retirement		390	
Unemployment Compensation		6,384	
Total Employee Benefits			7,323

Miscellaneous

Contributions	\$	7,000	
Dues and Memberships		3,392	
Total Miscellaneous			10,392

Capital Projects

Other General Government Projects

Architects	\$	6,163	
Total Other General Government Projects			6,163

Education Capital Projects

Traffic Control Equipment	\$	7,264	
Total Education Capital Projects			7,264

Total General Fund \$ 3,563,403

Urban Services Fund

Public Safety

Sheriff's Department

Deputy(ies)	\$	122,604	
Dispatchers/Radio Operators		29,382	
Overtime Pay		8,466	
Social Security		11,101	
State Retirement		20,881	
Medical Insurance		20,471	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Urban Services Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Employer Medicare	\$ 1,173	
Total Sheriff's Department		\$ 214,078

Fire Prevention and Control

Gasoline	\$ 324	
Other Supplies and Materials	304	
Other Charges	1,459	
Total Fire Prevention and Control		2,087

Public Health and Welfare

Rabies and Animal Control

Overtime Pay	\$ 869	
Other Salaries & Wages	3,009	
Social Security	252	
State Retirement	238	
Medical Insurance	568	
Employer Medicare	39	
Maintenance & Repair Services- Buildings	855	
Maintenance & Repair Services- Vehicles	1,672	
Veterinary Services	1,220	
Animal Food and Supplies	238	
Gasoline	1,725	
Water and Sewer	624	
Other Supplies and Materials	38	
Total Rabies and Animal Control		11,347

Waste Pickup

Supervisor/Director	\$ 13,956	
Truck Drivers	23,518	
Laborers	31,427	
Overtime Pay	785	
Social Security	4,338	
State Retirement	6,531	
Medical Insurance	15,203	
Employer Medicare	871	
Maintenance & Repair Services- Vehicles	12,147	
Medical and Dental Services	202	
Disposal Fees	18,937	
Gasoline	5,278	
Other Supplies and Materials	8	
Total Waste Pickup		133,201

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Urban Services Fund (Cont.)

Social, Cultural and Recreational Services

Other Social, Cultural and Recreational

Other Charges	\$ 1,500	
Total Other Social, Cultural and Recreational		\$ 1,500

Other Operations

Other Charges

Electricity	\$ 48,656	
Other Supplies and Materials	7	
Trustee's Commission	8,980	
Workers' Compensation Insurance	10,799	
Other Charges	238	
Total Other Charges		68,680

Employee Benefits

Social Security	\$ 130	
State Retirement	8,574	
Medical Insurance	180	
Total Employee Benefits		8,884

Highways

Highway and Bridge Maintenance

Engineering Services	\$ 1,246	
Asphalt - Hot Mix	31,923	
General Construction Materials	76	
Road Signs	239	
Total Highway and Bridge Maintenance		33,484

Principal

General Government

Principal on Bonds	\$ 15,166	
Principal on Notes	21,000	
Total General Government		36,166

Interest

General Government

Interest on Bonds	\$ 3,806	
Interest on Notes	2,279	
Total General Government		6,085

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Urban Services Fund (Cont.)

Capital Projects

General Administration Projects

Site Development	\$	4,661	
Total General Administration Projects			\$ 4,661

Total Urban Services Fund \$ 520,173

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Supervisor/Director	\$	15,297	
Truck Drivers		47,234	
Laborers		7,664	
Attendants		24,265	
Overtime Pay		3,801	
Social Security		6,195	
State Retirement		6,165	
Medical Insurance		15,506	
Employer Medicare		1,246	
Legal Notices, Recording and Court Costs		23	
Maintenance & Repair Services- Equipment		1,976	
Maintenance & Repair Services- Vehicles		23,788	
Medical and Dental Services		469	
Postal Charges		102	
Printing, Stationery and Forms		189	
Electricity		1,884	
Gasoline		10,849	
Water and Sewer		606	
Other Supplies and Materials		527	
Solid Waste Equipment		162,559	
Total Convenience Centers			\$ 330,345

Other Waste Disposal

Disposal Fees	\$	126,197	
Trustee's Commission		5,471	
Total Other Waste Disposal			131,668

Postclosure Care Costs

Contracts with Private Agencies	\$	2,242	
Engineering Services		4,741	
Landfill Closure/Postclosure Care Costs		2,469	
Total Postclosure Care Costs			9,452

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Workers' Compensation Insurance	\$ 7,309	
Total Other Charges		\$ 7,309

Total Solid Waste/Sanitation Fund \$ 478,774

Industrial/Economic Development Fund

Other Operations

Industrial Development

Architects	\$ 32,139	
Bank Charges	227	
Total Industrial Development		\$ 32,366

Total Industrial/Economic Development Fund 32,366

Drug Control Fund

Public Safety

Drug Enforcement

Veterinary Services	\$ 260	
Animal Food and Supplies	393	
Instructional Supplies and Materials	595	
Other Supplies and Materials	1,070	
Trustee's Commission	202	
Law Enforcement Equipment	25,608	
Total Drug Enforcement		\$ 28,128

Total Drug Control Fund 28,128

District Attorney General Fund

Administration of Justice

District Attorney General

Salary Supplements	\$ 8,500	
Travel	4,114	
Other Contracted Services	1,050	
Library Books/Media	1,167	
Other Supplies and Materials	182	
Trustee's Commission	176	
In Service/Staff Development	2,675	
Other Equipment	871	
Total District Attorney General		\$ 18,735

Total District Attorney General Fund 18,735

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	46,715	
Accountants/Bookkeepers		25,048	
Other Salaries & Wages		1,884	
Board and Committee Members Fees		1,200	
Social Security		4,224	
State Retirement		4,577	
Employer Medicare		988	
Communication		4,622	
Data Processing Services		3,382	
Dues and Memberships		1,401	
Legal Notices, Recording and Court Costs		154	
Maintenance & Repair Services- Buildings		222	
Maintenance & Repair Services- Office Equipment		595	
Pest Control		70	
Postal Charges		580	
Printing, Stationery and Forms		362	
Travel		280	
Custodial Supplies		185	
Data Processing Supplies		239	
Drugs and Medical Supplies		129	
Electricity		3,090	
Natural Gas		1,680	
Office Supplies		367	
Propane Gas		601	
Water and Sewer		728	
Premiums on Corporate Surety Bonds		350	
Other Charges		1,087	
Total Administration			\$ 104,760

Highway and Bridge Maintenance

Foremen	\$	91,704
Equipment Operators		183,826
Truck Drivers		109,611
Laborers		41,686
Social Security		25,537
State Retirement		24,254
Employer Medicare		5,972
Maintenance & Repair Services- Equipment		2,488
Rentals		28,645
Asphalt - Cold Mix		598

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Hot Mix	\$	258,500	
Asphalt - Liquid		422	
Concrete		105	
Crushed Stone		39,159	
Electricity		87	
General Construction Materials		2,086	
Other Road Supplies		590	
Pipe		5,980	
Propane Gas		41	
Road Signs		4,224	
Salt		981	
Small Tools		47	
Wood Products		866	
Other Supplies and Materials		16	
Other Charges		1,119	
Total Highway and Bridge Maintenance			\$ 828,544

Operation and Maintenance of Equipment

Mechanic(s)	\$	29,789	
Social Security		1,834	
State Retirement		1,901	
Employer Medicare		429	
Maintenance & Repair Services- Equipment		43,656	
Maintenance & Repair Services- Vehicles		4,360	
Diesel Fuel		15,737	
Equipment and Machinery Parts		36,085	
Fuel Oil		38	
Garage Supplies		1,692	
Gasoline		40,000	
Lubricants		2,600	
Small Tools		278	
Tires and Tubes		8,000	
Other Supplies and Materials		1,447	
Other Charges		37	
Other Equipment		485	
Total Operation and Maintenance of Equipment			188,368

Other Charges

Evaluation and Testing	\$	75	
Other Contracted Services		1,693	

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	12,345	
Vehicle and Equipment Insurance		31,676	
Workers' Compensation Insurance		50,181	
Liability Claims		732	
Other Charges		30	
Principal on Notes		51,910	
Interest on Notes		2,318	
Total Other Charges		<u>150,960</u>	\$ 150,960

Employee Benefits

Handling Charges & Administrative Costs	\$	90	
Medical Insurance		56,468	
Unemployment Compensation		5,542	
Total Employee Benefits		<u>62,100</u>	62,100

Capital Outlay

Engineering Services	\$	42,388	
Bridge Construction		93,222	
Building Improvements		376	
Communication Equipment		1,621	
Data Processing Equipment		2,595	
Motor Vehicles		41,176	
Other Equipment		64,458	
Other Construction		60,173	
Total Capital Outlay		<u>306,009</u>	306,009

Total Highway/Public Works Fund \$ 1,640,741

General Debt Service Fund

Principal

General Government

Principal on Notes	\$	92,000	
Total General Government		<u>92,000</u>	\$ 92,000

Education

Principal on Other Loans Payable	\$	135,400	
Total Education		<u>135,400</u>	135,400

(Continued)

Exhibit H-6

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)

Interest

General Government

Interest on Notes	\$ 9,086	
Total General Government		\$ 9,086

Education

Interest on Other Loans Payable	\$ 52,958	
Total Education		52,958

Other Debt Service

General Government

Trustee's Commission	\$ 1,865	
Other Debt Service	1,363	
Total General Government		3,228

Total General Debt Service Fund		\$ 292,672
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Education Debt Service Fund

Principal

Education

Principal on Other Loans Payable	\$ 326,000	
Total Education		\$ 326,000

Interest

Education

Interest on Other Loans Payable	\$ 186,504	
Total Education		186,504

Other Debt Service

Education

Trustee's Commission	\$ 5,916	
Total Education		5,916

Total Education Debt Service Fund		518,420
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Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$ 19,476	
Bank Charges	120	
Consultants	35,370	
Building Construction	507,098	
Total Education Capital Projects		\$ 562,064

Total Education Capital Projects Fund		562,064
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Total Governmental Funds - Primary Government		<u>\$ 7,655,476</u>
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Exhibit H-

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2005

	Major Fund
	Enterprise Fund
	Water and Sewer Fund
<hr/>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Water Sales	\$ 992,358
Sewer Charges	271,355
Penalties for Late Payment	20,681
Water Tap Fees	50,500
Sewer Tap Fees	4,312
Total Charges for Current Services	<u>\$ 1,339,206</u>
<u>Other Local Revenues</u>	
Miscellaneous Refunds	\$ 16,418
Total Other Local Revenues	<u>\$ 16,418</u>
Total Operating Revenues	<u>\$ 1,355,624</u>
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Salaries and Wages	\$ 352,800
Overtime Pay	23,468
Social Security	28,339
State Retirement	45,495
Medical Insurance	54,737
Audit Services	2,480
Communication	15,307
Data Processing Services	493
Engineering Services	59,335
Maintenance and Repair Services - Buildings	5,630
Maintenance and Repair Services - Equipment	63,411
Maintenance and Repair Services - Vehicles	9,390
Postal Charges	11,676
Rentals	2,678
Other Contracted Services	45,140
Electricity	114,852
Gasoline	8,846
Natural Gas	10,613
Office Supplies	10,096
Tires and Tubes	616
Chemicals	32,663
Other Supplies and Materials	23,802
Liability Insurance	45,947
Other Equipment	7,262
Other Construction	106,403
Total Operating Expenses	<u>\$ 1,081,479</u>

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## STATISTICAL SECTION

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Table 1

Hartsville/Trousdale County Government, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1994	\$ 49
1996	91
1997	839
1998	5,155
1999	4,278
2000	17,977
2001	12,123
2002	18,481
2003	<u>47,736</u>
Total	<u>\$ 106,729</u>

Table 2

Hartsville/Trousdale County Government, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<u>General Services Funds:</u>										
General	\$ 1.59	\$ 1.70	\$ 1.57	\$ 1.27	\$ 1.23	\$ 1.35	\$ 1.15	\$ 1.07	\$ 1.40	\$ 1.40
General Purpose School	1.35	1.35	1.30	0.98	0.98	0.98	0.88	0.88	0.88	0.81
General Debt Service	0.89	0.89	0.89	0.58	0.62	0.55	0.48	0.28	0.23	0.08
Educational Debt Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.12
Solid Waste/Sanitation	0.32	0.21	0.34	0.25	0.25	0.20	0.18	0.26	0.26	0.24
Total General Tax Rate	\$ 4.15	\$ 4.15	\$ 4.10	\$ 3.08	\$ 3.08	\$ 3.08	\$ 2.69	\$ 2.49	\$ 2.90	\$ 2.65
Urban Services Fund	0.00	0.00	0.00	0.00	0.00	1.25	0.88	0.88	1.35	1.24
Total Consolidated Tax Rate	\$ 4.15	\$ 4.15	\$ 4.10	\$ 3.08	\$ 3.08	\$ 4.33	\$ 3.57	\$ 3.37	\$ 4.25	\$ 3.89
<u>Assessed Valuations</u>										
Real and Personal	\$ 36,225,047	\$ 37,734,306	\$ 39,722,433	\$ 54,448,401	\$ 56,257,064	\$ 57,704,205	\$ 67,679,579	\$ 69,695,968	\$ 70,735,877	\$ 78,704,910
Public Utilities	8,402,147	8,999,515	8,228,189	9,245,193	10,447,976	9,180,097	11,033,077	13,620,744	12,345,092	14,830,603
Total Assessed Valuation	\$ 44,627,194	\$ 46,733,821	\$ 47,950,622	\$ 63,693,594	\$ 66,705,040	\$ 66,884,302	\$ 78,712,656	\$ 83,316,712	\$ 83,080,969	\$ 93,535,513

**ANNUAL FINANCIAL REPORT**

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT  
SCHOOL DEPARTMENT**

**A COMPONENT UNIT OF  
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, 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*

*CARL LOWE, CGFM  
Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE  
Auditor 4*

*CHRISTY N. TENNANT, CPA  
TIM BRASHEARS  
KELLEY J. McNEAL, CPA, CGFM  
State Auditors*

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

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**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT  
A COMPONENT UNIT OF HARTSVILLE/TROUSDALE  
COUNTY GOVERNMENT, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government School Department as of and for the year ended June 30, 2005.

## ***Results***

Our report on Hartsville/Trousdale County Government 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 Hartsville/Trousdale County School Department's management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

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

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The office did not issue purchase orders in all required instances, some purchase orders were issued after purchases were made, and some invoices were paid without documentation of the receipt of goods or services.
- ◆ All assets were not tagged or clearly identified as School Department property. In addition, some inventory records did not contain serial numbers or other unique forms of identification that would allow items to be physically verified.

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### **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.

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

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# INTRODUCTORY SECTION

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Hartsville/Trousdale County Government School Officials  
June 30, 2005

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Officials:

Margaret Oldham, Director of Schools

Board of Education:

Tommy Belcher, Chairman

James Crabtree

Barry Holder

Randy Linville

Janie Oldham

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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**

August 18, 2005

Hartsville/Trousdale County Government Director of Schools and  
Board of Education  
Hartsville/Trousdale County Government, 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 Hartsville/Trousdale County Government School Department, a component unit of Hartsville/Trousdale County Government, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 23, which collectively comprise a portion of the Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government 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 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 school department's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, the Hartsville/Trousdale County Government 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 matter discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hartsville/Trousdale County Government School Department as of June 30, 2005, or the changes in its financial position, where applicable, 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 Hartsville/Trousdale County Government 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 August 18, 2005, on our consideration of the Hartsville/Trousdale County Government 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 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 I, the Hartsville/Trousdale County Government School Department prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with standards adopted by the Comptroller of the Treasury of the State of Tennessee. This results in a change in the format and content of the basic financial statements.

As described in Note IV.B., the Hartsville/Trousdale County Government School Department 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 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 Hartsville/Trousdale County Government School Department's basic financial statements. The introductory section, 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 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

Hartsville/Trousdale County Government, Tennessee  
Balance Sheet - Governmental Funds  
Hartsville/Trousdale County Government School Department  
June 30, 2005

	Major Fund	Nonmajor Fund	Total Govern- mental Funds
	General Purpose School	School Federal Projects Fund	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,297,833	\$ 84,612	\$ 2,382,445
Due from Other Governments	95,240	0	95,240
Due from Other Funds	12,925	0	12,925
Property Taxes Receivable	785,221	0	785,221
Allowance for Uncollectible Property Taxes	(32,035)	0	(32,035)
Total Assets	<u>\$ 3,159,184</u>	<u>\$ 84,612</u>	<u>\$ 3,243,796</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 56,271	\$ 8,570	\$ 64,841
Payroll Deductions Payable	7,075	1,972	9,047
Due to Other Funds	0	12,925	12,925
Due to Primary Government	878	0	878
Deferred Revenue - Current Property Taxes	697,620	0	697,620
Deferred Revenue - Delinquent Property Taxes	55,566	0	55,566
Other Deferred Revenues	31,791	0	31,791
Total Liabilities	<u>\$ 849,201</u>	<u>\$ 23,467</u>	<u>\$ 872,668</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 9,254	\$ 0	\$ 9,254
Reserved for Career Ladder Program	15,726	0	15,726
Reserved for Basic Education Program	303,634	0	303,634
Other State Education Reserves	18,356	0	18,356
Reserved for Title I Grants to Local Education Agencies	0	2,653	2,653
Reserved for Innovative Education Program Strategies	0	1,828	1,828
Reserved for Special Education - Grants to States	0	37,475	37,475
Other Federal Reserves	0	19,189	19,189
Unreserved, Reported In:			
General Fund	1,963,013	0	1,963,013
Total Fund Balances	<u>\$ 2,309,983</u>	<u>\$ 61,145</u>	<u>\$ 2,371,128</u>
Total Liabilities and Fund Balances	<u>\$ 3,159,184</u>	<u>\$ 84,612</u>	<u>\$ 3,243,796</u>

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

Exhibit B

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

	Major Fund	Nonmajor Fund	
	General Purpose School	School Federal Projects Fund	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,265,682	\$ 0	\$ 1,265,682
Licenses and Permits	808	0	808
Charges for Current Services	165	0	165
Other Local Revenues	71,996	0	71,996
State of Tennessee	5,976,912	0	5,976,912
Federal Government	268,657	529,214	797,871
Total Revenues	<u>\$ 7,584,220</u>	<u>\$ 529,214</u>	<u>\$ 8,113,434</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,167,219	\$ 396,676	\$ 4,563,895
Support Services	2,550,418	199,707	2,750,125
Operation of Non-Instructional Services	222,789	100	222,889
Capital Outlay	669,996	0	669,996
Debt Service:			
Other Debt Service	245,000	0	245,000
Total Expenditures	<u>\$ 7,855,422</u>	<u>\$ 596,483</u>	<u>\$ 8,451,905</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (271,202)</u>	<u>\$ (67,269)</u>	<u>\$ (338,471)</u>
Net Change in Fund Balances	\$ (271,202)	\$ (67,269)	\$ (338,471)
Fund Balance, July 1, 2004	<u>2,581,185</u>	<u>128,414</u>	<u>2,709,599</u>
Fund Balance, June 30, 2005	<u>\$ 2,309,983</u>	<u>\$ 61,145</u>	<u>\$ 2,371,128</u>

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

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT  
A COMPONENT UNIT OF HARTSVILLE/TROUSDALE COUNTY GOVERNMENT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hartsville/Trousdale County Government 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.

Hartsville/Trousdale County Government School Department 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. Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although Hartsville/Trousdale County Government 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 that are 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.

The following are the more significant accounting policies of Hartsville/Trousdale County Government School Department:

**A. Reporting Entity**

The Hartsville/Trousdale County Government School Department operates the public school system in the county and the voters of Trousdale County elect its five-member board. The Hartsville/Trousdale County Government School Department is a component unit of the consolidated

Hartsville/Trousdale County Government, the primary government. The Hartsville/Trousdale County Government School Department is fiscally dependent on the consolidated government because it may not issue debt without consolidated government approval, and its budget and property tax levies are subject to the consolidated government's approval. The Hartsville/Trousdale County Government School Department's taxes are levied under the taxing authority of the consolidated government and are included as part of the consolidated government'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 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. Hartsville/Trousdale County Government 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 Fund** – This fund, the School Federal Projects Fund, is used to account for restricted federal revenues that must be expanded on specific education programs.

**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 government's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The consolidated government trustee maintains a cash and internal investment pool that is used by Hartsville/Trousdale County Government and School Department funds, with the exception of the Water and Sewer Fund. Each fund's portion of this pool is displayed on its balance sheet as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the consolidated government's General Fund. Hartsville/Trousdale County Government 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 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.

## **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. Government 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 uncollectible. The allowance for uncollectible property taxes is equal to 2.05 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 to immaterial for reporting purposes. 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; they 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 does not allow for the accumulation of unused vacation and sick days beyond year-end, except for professional personnel of the School Department. The School Department allows professional personnel (teachers) to accumulate an unlimited amount of unused sick leave. 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.

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

**Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations in eight of 20 major appropriations categories (the legal level of control) of the General Purpose School Fund by amounts ranging from \$150 to \$17,305. Also, expenditures exceeded appropriations in three of eight major appropriations categories of the School Federal Projects Fund by amounts ranging from \$100 to \$34,856. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Purpose School Fund and available reserve balances in the School Federal Projects Fund.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

### **Investments**

**Legal Provisions.** The government is 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 government 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, Hartsville/Trousdale County Government had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool; however, all of the investments except for the amount in the State Treasurer's Investment Pool are restricted and can only be used for community or industrial development. Separate disclosures concerning pooled investments cannot be made for Hartsville/Trousdale County Government and the discretely presented School Department since both pool their deposits and investments through the consolidated government trustee.

Investment	Maturities	Fair Value Or Cost
State Treasurer's Investment Pool	Daily	\$ 238,222
U.S. Treasury Strip - 912803AK9	11-15-2016	112,963
U.S. Treasury Strip - 912833GD6	11-15-2008	99,882
U.S. Treasury Strip - 912833JZ4	11-15-2012	82,685
U.S. Treasury Investment Growth Receipt	11-15-2005	<u>110,514</u>
Total		<u><u>\$ 644,266</u></u>

**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. Hartsville/Trousdale County Government has no investment policy that would further limit its investment choices. As of June 30, 2005, Hartsville/Trousdale County Government's investment in the State Treasurer's Investment Pool was unrated.

**B. Interfund Receivables and Payables**

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

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	<u>\$ 12,925</u>
Total		<u><u>\$ 12,925</u></u>

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

**Due to/from primary government and component units:**

Receivable Fund	Payable Fund	Amount
Primary government: General	Component unit: Hartsville/Trousdale County Government School Department: General Purpose School	<u>\$ 878</u>
Total		<u><u>\$ 878</u></u>

#### IV. OTHER INFORMATION

##### A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty losses, and workers' compensation.

The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, 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 the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

##### 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 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. Contingent Liabilities

The government is involved in several pending lawsuits. Attorneys representing the School Department estimate that the potential claims against the county 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 Hartsville/Trousdale County Government, 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 Hartsville/Trousdale 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 Hartsville/Trousdale County School Department participates in Hartsville/Trousdale County Government's plan, retirement information for the Hartsville/Trousdale 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. F. of the Annual Financial Report of Hartsville/Trousdale County Government, Tennessee.

**SCHOOL TEACHERS**

**Plan Description**

The Hartsville/Trousdale County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. 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 Hartsville/Trousdale County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.50 percent of annual covered payroll. The employer contribution requirement for the Hartsville/Trousdale 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, \$227,015, \$130,035, and \$123,861, respectively, equal to the required contributions for each year.

### **E. Purchasing Law**

#### Office of Director of Schools

Purchasing procedures for the discretely presented Hartsville/Trousdale County Government School Department are governed by purchasing laws

applicable to the schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the Hartsville/Trousdale County Government Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C

Hartsville/Trousdale County Government, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Hartsville/Trousdale County Government 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	\$ 1,265,682	\$ 1,207,409	\$ 1,207,409	\$ 58,273
Licenses and Permits	808	700	700	108
Charges for Current Services	165	30,000	30,000	(29,835)
Other Local Revenues	71,996	27,250	27,250	44,746
State of Tennessee	5,976,912	5,922,300	5,922,300	54,612
Federal Government	268,657	301,550	301,550	(32,893)
Total Revenues	<u>\$ 7,584,220</u>	<u>\$ 7,489,209</u>	<u>\$ 7,489,209</u>	<u>\$ 95,011</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,121,379	\$ 3,225,500	\$ 3,225,500	\$ 104,121
Special Education Program	692,997	809,000	809,000	116,003
Vocational Education Program	314,585	314,400	314,400	(185)
Adult Education Program	38,258	44,140	44,140	5,882
<u>Support Services</u>				
Attendance	63,043	61,100	62,100	(943)
Health Services	49,915	70,600	70,600	20,685
Other Student Support	146,574	142,611	142,611	(3,963)
Regular Instruction Program	327,607	321,300	320,300	(7,307)
Special Education Program	108,505	115,810	115,810	7,305
Adult Programs	33,136	33,560	33,560	424
Board of Education	87,918	170,650	106,370	18,452
Director of Schools	143,930	79,500	143,780	(150)
Office of the Principal	469,796	458,530	458,530	(11,266)
Fiscal Services	52,465	52,121	52,121	(344)
Operation of Plant	545,922	580,075	580,075	34,153
Maintenance of Plant	162,905	145,600	145,600	(17,305)
Transportation	358,702	387,490	387,490	28,788
<u>Operation of Non-Instructional Services</u>				
Food Service	222,789	210,800	223,594	805
<u>Capital Outlay</u>				
Regular Capital Outlay	669,996	439,389	677,623	7,627
<u>Other Debt Service</u>				
Education	245,000	0	245,000	0
Total Expenditures	<u>\$ 7,855,422</u>	<u>\$ 7,662,176</u>	<u>\$ 8,158,204</u>	<u>\$ 302,782</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (271,202)</u>	<u>\$ (172,967)</u>	<u>\$ (668,995)</u>	<u>\$ 397,793</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (245,000)	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (245,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit C

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (271,202)	\$ (417,967)	\$ (668,995)	\$ 397,793
Fund Balance, July 1, 2004	2,581,185	2,246,090	2,246,090	335,095
Fund Balance, June 30, 2005	\$ 2,309,983	\$ 1,828,123	\$ 1,577,095	\$ 732,888

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT  
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 County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Programs, Attendance, Board of Education, Director of Schools, 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 School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. 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 in eight of the 20 major appropriations categories (the legal level of control) of the General Purpose School Fund by amounts ranging from \$150 to \$17,305. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Purpose School Fund.

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**INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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Exhibit D

Hartsville/Trousdale County Government, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Hartsville/Trousdale County Government 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>				
Federal Government	\$ 529,214	\$ 561,942	\$ 568,949	\$ (39,735)
Total Revenues	\$ 529,214	\$ 561,942	\$ 568,949	\$ (39,735)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 193,184	\$ 250,698	\$ 222,136	\$ 28,952
Special Education Program	189,999	226,637	231,224	41,225
Vocational Education Program	13,493	18,485	18,485	4,992
<u>Support Services</u>				
Other Student Support	11,532	5,000	5,000	(6,532)
Regular Instruction Program	97,371	112,797	110,784	13,413
Special Education Program	36,813	62,025	62,025	25,212
Transportation	53,991	19,135	19,135	(34,856)
<u>Operation of Non-Instructional Services</u>				
Food Service	100	0	0	(100)
Total Expenditures	\$ 596,483	\$ 694,777	\$ 668,789	\$ 72,306
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,269)	\$ (132,835)	\$ (99,840)	\$ 32,571
Net Change in Fund Balance	\$ (67,269)	\$ (132,835)	\$ (99,840)	\$ 32,571
Fund Balance, July 1, 2004	128,414	132,835	99,840	28,574
Fund Balance, June 30, 2005	\$ 61,145	\$ 0	\$ 0	\$ 61,145

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Hartsville/Trousdale County Government, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government Board of Education	\$ 79,511 (1)	(2)	
Employee Blanket Bond Coverage: School Employees			\$ 150,000	Tennessee School Boards Liability Trust

- (1) Includes chief executive officer training supplement of \$1,000.  
(2) The director of schools is covered under the county's blanket bond.

Exhibit E-2

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

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 659,622	\$ 0	\$ 659,622
Trustee's Collections - Prior Year	53,092	0	53,092
Circuit/Clerk & Master Collections - Prior Years	8,606	0	8,606
Interest and Penalty	8,930	0	8,930
Payments in Lieu of Taxes - T.V.A.	144,409	0	144,409
<u>County Local Option Taxes</u>			
Local Option Sales Tax	380,063	0	380,063
Local Amusement Tax	143	0	143
Business Tax	9,530	0	9,530
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,287	0	1,287
Total Local Taxes	<u>\$ 1,265,682</u>	<u>\$ 0</u>	<u>\$ 1,265,682</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 808	\$ 0	\$ 808
Total Licenses and Permits	<u>\$ 808</u>	<u>\$ 0</u>	<u>\$ 808</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Tuition - Summer School	\$ 165	\$ 0	\$ 165
Total Charges for Current Services	<u>\$ 165</u>	<u>\$ 0</u>	<u>\$ 165</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 200	\$ 0	\$ 200
Lease/Rentals	100	0	100
Sale of Materials and Supplies	1,152	0	1,152
Miscellaneous Refunds	35,122	0	35,122
<u>Nonrecurring Items</u>			
Insurance Recovery	18,333	0	18,333
Damages Recovered from Individuals	30	0	30
Contributions & Gifts	124	0	124
<u>Other Local Revenues</u>			
Other Local Revenues	16,935	0	16,935
Total Other Local Revenues	<u>\$ 71,996</u>	<u>\$ 0</u>	<u>\$ 71,996</u>
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 5,757,484	\$ 0	\$ 5,757,484
School Food Service	7,432	0	7,432
Driver Education	3,765	0	3,765
Other State Education Funds	78,640	0	78,640
Career Ladder Program	81,468	0	81,468
Career Ladder - Extended Contract	48,123	0	48,123
Total State of Tennessee	<u>\$ 5,976,912</u>	<u>\$ 0</u>	<u>\$ 5,976,912</u>

(Continued)

Exhibit E-2

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

	General Purpose School	School Federal Projects	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 179,118	\$ 0	\$ 179,118
Breakfast	22,564	0	22,564
Adult Education State Grant Program	54,050	0	54,050
Vocational Education - Basic Grants to States	0	13,062	13,062
Title I Grants to Local Education Agencies	0	193,371	193,371
Innovative Education Program Strategies	0	2,342	2,342
Special Education - Grants to States	12,925	226,691	239,616
Special Education Preschool Grants	0	10,226	10,226
Eisenhower Professional Development State Grants	0	71,975	71,975
Other Federal through State	0	11,547	11,547
Total Federal Government	<u>\$ 268,657</u>	<u>\$ 529,214</u>	<u>\$ 797,871</u>
Total	<u>\$ 7,584,220</u>	<u>\$ 529,214</u>	<u>\$ 8,113,434</u>

Exhibit E-3

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,307,588	
Career Ladder Program		45,000	
Career Ladder Extended Contracts		35,063	
Homebound Teachers		5,534	
Educational Assistants		41,027	
Other Salaries & Wages		8,185	
Certified Substitute Teachers		47,471	
Social Security		144,662	
State Retirement		129,590	
Medical Insurance		121,981	
Employer Medicare		33,832	
Instructional Supplies and Materials		49,353	
Textbooks		106,213	
Other Charges		1,572	
Regular Instruction Equipment		44,308	
Total Regular Instruction Program			\$ 3,121,379

Special Education Program

Teachers	\$	498,988	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		2,070	
Homebound Teachers		1,758	
Educational Assistants		33,304	
Certified Substitute Teachers		25,948	
Social Security		33,646	
State Retirement		30,677	
Medical Insurance		24,540	
Employer Medicare		7,869	
Contracts with Other School Systems		13,184	
Other Contracted Services		6,382	
Instructional Supplies and Materials		4,131	
Textbooks		1,500	
Total Special Education Program			692,997

Vocational Education Program

Supervisor/Director	\$	24,630	
Teachers		223,102	
Career Ladder Program		2,000	
Certified Substitute Teachers		4,475	

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	14,655	
State Retirement		12,326	
Medical Insurance		12,926	
Employer Medicare		3,427	
Instructional Supplies and Materials		12,748	
Vocational Instruction Equipment		4,296	
Total Vocational Education Program	\$		314,585

Adult Education Program

Teachers	\$	20,053	
Social Security		1,225	
State Retirement		1,213	
Employer Medicare		286	
Instructional Supplies and Materials		9,918	
Other Charges		2,177	
Other Equipment		3,386	
Total Adult Education Program			38,258

Support Services

Attendance

Supervisor/Director	\$	50,256	
Career Ladder Program		1,000	
Social Security		3,150	
State Retirement		2,819	
Employer Medicare		737	
Travel		629	
Other Contracted Services		4,452	
Total Attendance			63,043

Health Services

Medical Personnel	\$	41,945	
Social Security		2,601	
State Retirement		2,629	
Employer Medicare		608	
Other Contracted Services		1,320	
Drugs and Medical Supplies		812	
Total Health Services			49,915

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		81,146	
Other Salaries & Wages		17,280	
Social Security		6,339	
State Retirement		5,243	
Medical Insurance		2,181	
Employer Medicare		1,483	
Contracts with Government Agencies		22,695	
Other Contracted Services		35	
Other Supplies and Materials		7,172	
Total Other Student Support			\$ 146,574

Regular Instruction Program

Supervisor/Director	\$	38,325	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		6,210	
Librarians		130,473	
Instructional Computer Personnel		80,629	
Social Security		15,264	
State Retirement		14,564	
Medical Insurance		12,578	
Employer Medicare		3,570	
Travel		2,423	
Library Books/Media		17,571	
Total Regular Instruction Program			327,607

Special Education Program

Supervisor/Director	\$	49,548	
Psychological Personnel		33,366	
Clerical Personnel		8,732	
Social Security		5,584	
State Retirement		5,117	
Medical Insurance		4,143	
Employer Medicare		1,306	
Travel		709	
Total Special Education Program			108,505

Adult Programs

Supervisor/Director	\$	20,934	
---------------------	----	--------	--

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Clerical Personnel	\$	6,770	
Social Security		1,686	
State Retirement		1,688	
Employer Medicare		394	
Travel		1,559	
Other Charges		105	
Total Adult Programs			\$ 33,136

Board of Education

Secretary to Board	\$	1,736	
Board and Committee Members Fees		3,495	
Social Security		324	
State Retirement		95	
Unemployment Compensation		1,316	
Employer Medicare		76	
Dues and Memberships		6,866	
Legal Services		2,028	
Trustee's Commission		34,048	
Workers' Compensation Insurance		34,948	
Refund to Applicant for Criminal Investigation		1,872	
Other Charges		1,114	
Total Board of Education			87,918

Director of Schools

County Official/Administrative Officer	\$	78,511	
Career Ladder Program		1,000	
Secretary(s)		10,707	
Social Security		5,485	
State Retirement		5,056	
Medical Insurance		2,181	
Employer Medicare		1,283	
Communication		16,399	
Travel		1,612	
Other Contracted Services		4,551	
Office Supplies		6,649	
Other Charges		5,416	
Administration Equipment		5,080	
Total Director of Schools			143,930

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	178,159	
Career Ladder Program		3,000	
Accountants/Bookkeepers		47,508	
Assistant Principals		127,982	
Secretary(s)		45,646	
Social Security		23,753	
State Retirement		22,499	
Medical Insurance		12,144	
Employer Medicare		5,555	
Office Supplies		308	
Other Supplies and Materials		223	
Other Charges		3,019	
Total Office of the Principal			\$ 469,796

Fiscal Services

Accountants/Bookkeepers	\$	37,977	
Social Security		2,333	
State Retirement		2,423	
Employer Medicare		546	
Travel		489	
Other Contracted Services		6,692	
Office Supplies		1,832	
Other Charges		173	
Total Fiscal Services			52,465

Operation of Plant

Custodial Personnel	\$	129,012	
Social Security		7,999	
State Retirement		5,690	
Employer Medicare		1,871	
Rentals		9,810	
Other Contracted Services		7,324	
Custodial Supplies		21,526	
Electricity		196,949	
Natural Gas		65,784	
Water and Sewer		18,922	
Building and Contents Insurance		77,668	
Other Charges		3,367	
Total Operation of Plant			545,922

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	51,901	
Social Security		3,188	
State Retirement		3,311	
Employer Medicare		745	
Maintenance & Repair Services- Buildings		23,666	
Other Contracted Services		57,334	
Other Supplies and Materials		12,764	
Other Charges		3,329	
Maintenance Equipment		6,667	
Total Maintenance of Plant			\$ 162,905

Transportation

Mechanic(s)	\$	25,000	
Bus Drivers		163,640	
Other Salaries & Wages		7,325	
Social Security		11,889	
State Retirement		11,886	
Medical Insurance		2,462	
Employer Medicare		2,781	
Maintenance & Repair Services- Vehicles		6,101	
Diesel Fuel		35,587	
Gasoline		15	
Lubricants		2,341	
Tires and Tubes		242	
Vehicle Parts		11,193	
Other Charges		3,505	
Transportation Equipment		74,735	
Total Transportation			358,702

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	2,186	
In-Service Training		1,454	
Social Security		134	
State Retirement		120	
Employer Medicare		31	
Payments to Schools - Lunch		201,672	
Other Contracted Services		2,800	
Other Supplies and Materials		1,740	

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Charges	\$ 4,597	
Food Service Equipment	<u>8,055</u>	
Total Food Service		\$ 222,789

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$ 306,255	
Building Improvements	105,552	
Furniture and Fixtures	172,176	
Land	80,977	
Other Capital Outlay	<u>5,036</u>	
Total Regular Capital Outlay		669,996

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 245,000	
Total Education		<u>245,000</u>

Total General Purpose School Fund \$ 7,855,422

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 151,893	
Certified Substitute Teachers	6,874	
Social Security	9,774	
State Retirement	7,713	
Medical Insurance	4,266	
Employer Medicare	2,286	
Tuition	5,105	
Instructional Supplies and Materials	<u>5,273</u>	
Total Regular Instruction Program		\$ 193,184

Special Education Program

Educational Assistants	\$ 83,534	
Other Salaries & Wages	286	
Social Security	4,852	
State Retirement	4,796	
Employer Medicare	1,135	

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Contracts with Private Agencies	\$	66,215	
Maintenance & Repair Services- Equipment		712	
Other Contracted Services		1,540	
Instructional Supplies and Materials		2,288	
Textbooks		8,785	
Other Supplies and Materials		8,875	
Special Education Equipment		6,981	
Total Special Education Program			\$ 189,999

Vocational Education Program

Instructional Supplies and Materials	\$	630	
Other Supplies and Materials		9,581	
Other Charges		50	
Vocational Instruction Equipment		3,232	
Total Vocational Education Program			13,493

Support Services

Other Student Support

Travel	\$	3,514	
In Service/Staff Development		474	
Vocational Instruction Equipment		7,544	
Total Other Student Support			11,532

Regular Instruction Program

Supervisor/Director	\$	51,812	
Social Security		2,899	
State Retirement		2,844	
Medical Insurance		3,887	
Employer Medicare		678	
Travel		550	
In Service/Staff Development		24,637	
Other Charges		1,430	
Other Equipment		8,634	
Total Regular Instruction Program			97,371

Special Education Program

Supervisor/Director	\$	7,684	
Psychological Personnel		17,534	
Clerical Personnel		3,833	

(Continued)

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Hartsville/Trousdale County Government School Department (Cont.)

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Social Security	\$ 1,801	
State Retirement	1,632	
Employer Medicare	421	
Travel	430	
Other Contracted Services	632	
Other Supplies and Materials	2,046	
In Service/Staff Development	100	
Other Equipment	700	
Total Special Education Program		\$ 36,813
<u>Transportation</u>		
Other Salaries & Wages	\$ 6,025	
Social Security	374	
State Retirement	384	
Employer Medicare	87	
Contracts with Parents	4,926	
Gasoline	7,539	
Tires and Tubes	190	
Vehicle Parts	68	
Transportation Equipment	34,398	
Total Transportation		53,991
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Vocational Instruction Equipment	\$ 100	
Total Food Service		100
Total School Federal Projects Fund		\$ 596,483
Total Governmental Funds - Hartsville/Trousdale County Government School Department		\$ 8,451,905

**SINGLE AUDIT REPORT**  
**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE**  
**AND**  
**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT**  
**SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*CHRISTY N. TENNANT, CPA*  
*TIM BRASHEARS*  
*KELLEY J. McNEAL, CPA, CGFM*  
*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

August 18, 2005

Hartsville/Trousdale County Government Executive, Board of County Commissioners,  
Director of Schools, and Board of Education  
Hartsville/Trousdale County Government, Tennessee

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's basic financial statements and have issued our reports thereon dated August 18, 2005. Our reports on the financial statements of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. 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 Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04(A, C, D, E, F, G, H, I), 05.05, 05.06, 05.07, 05.08, and 05.09.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.02 and 05.04(D, F, G) to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01 and 05.04(B).

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

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

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

August 18, 2005

Hartsville/Trousdale County Government Executive, Board of County Commissioners,  
Director of Schools and Board of Education  
Hartsville/Trousdale County Government, Tennessee

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

Compliance

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

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

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

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

#### Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.04(A) and 05.10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

## Schedule of Federal Awards

We have audited the financial statements of the each major fund and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 18, 2005. Our reports on the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government 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 audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through agencies 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

Hartsville/Trousdale County Government, Tennessee and  
Hartsville/Trousdale County Government School Department  
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:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 26,365
Total Passed-through State Department of Agriculture			<u>\$ 26,365</u>
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 22,564
National School Lunch Program	10.555	N/A	179,118
Total Passed-through State Department of Education			<u>\$ 201,682</u>
Direct Program:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 97,000
Total U.S. Department of Agriculture			<u>\$ 325,047</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-04-10982-00	\$ 32,664
Community Development Block Grant/State's Program	14.228	Z-02-009121-00	42,778
Total Passed-through State Department of Economic and Community Development			<u>\$ 75,442</u>
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	M-00-SG-47-0100	\$ 223,504
Total U.S. Department of Housing and Urban Development			<u>\$ 298,946</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-04-016719-00	\$ 15,256 (3)
Adult Education - State Grant Program	84.002	Z-05-022273-00	38,794 (3)
Title I Grants to Local Education Agencies	84.010	N/A	204,851
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	282,637
Special Education - Preschool Grants	84.173	N/A	11,092
Vocational Education - Basic Grants to States	84.048	N/A	25,123
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	11,438
State Grants for Innovative Programs	84.298	(2)	4,895
Education Technology State Grants	84.318	(2)	8,715
Rural Education	84.358	(2)	3,722
Improving Teacher Quality State Grants	84.367	(2)	56,935
Total U.S. Department of Education			<u>\$ 663,458</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-071806-00	\$ 7,193
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020151-00	13,612
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022499-00	5,199
Total U.S. Department of Homeland Security			<u>\$ 26,004</u>
Total Expenditures of Federal Awards			<u>\$ 1,313,455</u>

(Continued)

Hartsville/Trousdale County Government, Tennessee and  
Hartsville/Trousdale County Government School Department  
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>State Grants</u>			
Adult Basic Education - State Department of Education	N/A	Z-04-016719-00	\$ 4,055
Adult Basic Education - State Department of Education	N/A	Z-05-022273-00	10,313
Byrne Grant - Electronic Fingerprint Imaging System - State Department of Finance and Administration	N/A	(2)	14,987
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-05-020434-00	9,000
Forestry Grant - State Department of Agriculture	N/A	Z-05-021260-00	2,500
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	2,022
Safe Schools Act of '03	N/A	(2)	8,371
Litter Program - State Department of Transportation	N/A	(2)	30,054
Law Enforcement Training - State Department of Public Safety	N/A	(2)	7,262
Aging Programs - State Commission on Aging	N/A	(2)	23,700
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	4,718
Optional Safety Program - State Department of Transportation	N/A	(2)	<u>7,264</u>
Total State Grants			<u>\$ 124,246</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 No. 84.002) from the U.S. Department of Education \$54,050.

Hartsville/Trousdale County Government, Tennessee, and  
Hartsville/Trousdale County Government School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2005

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

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT AND THE  
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT 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 COUNTY EXECUTIVE**

Finding Number	Page Number	Subject
04.03	14	Actual beginning fund balance of the General Fund exceeded the estimated beginning fund balance by a material amount
04.04	14	Deficiencies were noted in the issuance of purchase orders

**OFFICE OF HIGHWAY SUPERINTENDENT**

Finding Number	Page Number	Subject
04.06	15	The office did not use purchase orders

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
04.08	16	The office had deficiencies in the purchasing process

**OTHER FINDINGS AND RECOMMENDATIONS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.10	17	A central system of accounting, budgeting, and purchasing had not been adopted
04.11	17	Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE, AND  
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT**

**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 Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department.
2. The audit of the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department disclosed reportable conditions in internal control. Two of these conditions were also considered to be material weaknesses in the Hartsville/Trousdale County Government.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Hartsville/Trousdale County Government and one instance of noncompliance that was material to the financial statements of the Hartsville/Trousdale County Government School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified 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. HOME Investments Partnership Program (CFDA No. 14.239), Title I Grants to Local Education 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. Hartsville/Trousdale County Government and Hartsville/Trousdale County Government School Department did not qualify as low-risk auditees.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the circuit and general sessions courts clerk 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.

### **HARTSVILLE/TROUSDALE COUNTY GOVERNMENT AND HARTSVILLE/TROUSDALE COUNTY GOVERNMENT 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)**

Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, they 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, Hartsville/Trousdale County Government’s and the Hartsville/Trousdale County Government 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. Hartsville/Trousdale County Government’s and the Hartsville/Trousdale County Government School Department’s financial statements are presented in compliance with these requirements.

#### **RECOMMENDATION**

Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department should present government-wide financial statements in conformity with generally accepted accounting principles and compile and maintain records that properly account for their capital assets. These records should document the historical cost of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the consolidated government’s and the School Department’s financial statements in accordance with generally accepted accounting principles.

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**OFFICE OF COUNTY EXECUTIVE**

**FINDING 05.02**      **THE ACTUAL FUND BALANCE OF THE GENERAL FUND AT JULY 1, 2004, EXCEEDED THE ESTIMATED FUND BALANCE BY A MATERIAL AMOUNT**  
(Internal Control - Material Weakness Under Government Auditing Standards)

The General Fund's actual fund balance at July 1, 2004, was \$1,481,740; however, the estimated fund balance reflected in the county's budget at July 1, 2004, was \$1,050,530. Therefore, the actual fund balance was \$431,210 more than the estimated fund balance presented to the County Commission.

**RECOMMENDATION**

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

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**FINDING 05.03**      **PURCHASE ORDERS WERE NOT PROPERLY ISSUED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Also, our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders in all applicable instances and including the dollar amounts and descriptions of items purchased.

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**FINDING 05.04**      **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE COUNTY WATER AND SEWER DEPARTMENT**  
(A. Internal Control – Reportable Condition Under OMB Circular A-133 and Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards; C., E., H., I. Internal Control – Reportable Condition Under Government Auditing Standards; D., F. G. Internal Control – Material Weakness Under Government Auditing Standards)

The Water and Sewer Department, a major enterprise fund, operates as a separate department of the primary government. Our audit noted the following deficiencies:

A. Grant activity was not included on the department's accounting records

During the period examined, grant receipts and disbursements totaling \$75,442 were not posted to the department's accounting records. The department received these funds by direct bank deposit and disbursed them by issuing checks manually to the appropriate vendors. The failure to channel these funds through the department and to record these transactions on the accounting records materially misstated the department's financial statements and the Schedule of Federal Financial Assistance. We have recorded these transactions in the financial statements and Schedule of Federal Financial Assistance.

B. Some disbursements were not made by prenumbered checks

Bank transactions of the department were not channeled through the Trustee's Office. Instead, these transactions were channeled through several bank accounts administered by the water and sewer department. In July 2004, the department obtained a \$307,144 cashier's check from one of its bank accounts to retire outstanding loans instead of issuing a check payable to the vendor. In December 2004, the department obtained a \$1,200 cashier's check from one of its bank accounts, cashed the check, and distributed \$100 in cash to each of the department's employees as a Christmas bonus. Section 5-8-207, Tennessee Code Annotated, provides that all funds should be disbursed by official prenumbered checks. Allowing the department to maintain bank accounts, other than clearing accounts, could minimize the earnings potential available through pooling funds through the Office of County Trustee.

C. Petty cash was not properly administered

The department maintained a \$25 general ledger account entitled petty cash. Theoretically this petty cash account was created to make small purchases and periodically be replenished by cashing a department issued check for the sum of the purchases made. During the period examined, several checks were written each month to replenish the petty cash fund; however, the petty cash account was not properly administered:

1. Petty cash, as represented on the general ledger, was not physically maintained. Instead, an employee, who needed to purchase a small item, would be given cash from the office's daily operating funds maintained in the cash drawer. After the item was purchased, any unused cash would be returned to the cash drawer along with the receipt for the item purchased. Periodically, a check would be issued payable to petty cash from a department account for the sum of the purchased items. This petty cash check would then be placed into the cash

drawer to replace the receipts for the purchased items. The office cash drawer should only be used for daily collections of the department.

2. Several items purchased from the cash drawer included: travel advances for employees, postage for water samples submitted to state authorities, and a lawnmower (\$230). These items should have been paid through the department's purchasing process.

D. Accounts receivable were not properly accounted

1. During the period examined, the department's accounts receivable general ledger account was not reconciled with individual customer accounts. At June 30, 2005, the accounts receivable general ledger balance totaled \$143,999; however, the department furnished auditors a listing of \$14,154 in individual customer accounts receivable. The failure to reconcile the general ledger accounts receivable account with individual customer accounts results in a material weakness in internal control over receivables.
2. The department had no formal written policies and procedures for determining delinquencies or the write-off of delinquent accounts. During the period examined, the department wrote-off \$63,298 of delinquent accounts which eliminated the balance in the inactive accounts receivable account. Also, at the end of each month examined, the department moved certain accounts receivables from an active to an inactive account. Since the department had no written policies and procedures to determine when these accounts should be declared inactive, this decision appeared to have been left to the discretion of the billing clerk.

E. Inventories of parts and supplies were not maintained

The department did not maintain an inventory of parts and supplies; however, the department supervisor advised that various parts such as meters, taps, and replacement pipe were maintained in a storage building. The omission of this account was not considered material to the financial statements of this report.

F. Capital assets records were deficient

The department reported capital assets and the accompanying accumulated depreciation accounts at June 30, 2005. These capital assets make up a majority of the department's total assets. However, we could not determine if these records were free of material misstatement because the department failed to adequately identify and document capital assets as noted below:

1. The department had not adopted formal written capital assets policies and procedures for the capitalization of fixed assets. Without formal capitalization policies, employees have no guidance concerning capitalization thresholds, depreciation methods and rates, and procedures to identify and track assets.
2. The department reflected a capital assets balance of \$14,974,520 at June 30, 2005; however, the department did not maintain its own detailed capital assets records to support this balance. Officials relied on its external auditor to maintain these records for them. We had the department obtain copies of its capital assets records from its previous auditor for us to examine. The capital assets listing provided by the previous auditor totaled \$14,100,909, a difference of \$873,611. Department officials were unable to reconcile the difference.
3. The capital assets listing obtained from the previous auditor did not adequately identify the department's individual assets. Items were described in general terms such as trucks, computers, or plant instead of having individual identifying asset numbers with detailed descriptions that would allow for physical inspections and the verification of specific individual assets.

G. Liability accounts were not properly maintained

1. The department reflected \$41,628 as Due to Other Funds on its general ledger at June 30, 2005. This account represented amounts billed by the department on behalf of the county's Solid Waste/Sanitation Fund for residential and commercial trash pickup within the urban services district. These funds were billed and collected monthly by the department; however, the department did not reconcile the amount reflected in this account with the monthly billing records. Therefore, we could not verify the accuracy of the amount reflected on the general ledger. This account has been reclassified to accounts payable in the financial statements of this report pending further investigation by the department.
2. Contracts payable totaling \$67,017 and retainage payable totaling \$20,142 were not reflected on the department's general ledger at June 30, 2005. We have included these construction related liabilities in the financial statements of this report.
3. General ledger payroll-deduction accounts were not reconciled with subsidiary payroll records. The failure to reconcile general ledger payroll-deduction accounts with employee payroll deductions resulted in errors and omissions in the reporting and paying of employee deductions. Adjustments were presented to the department to correct these accounts for proper presentation in this report.

4. The department's general ledger reflected \$227,805 as Customer Deposits Payable at June 30, 2005. This account represented customer deposits that would be returned upon termination of service. The department could not provide auditors a listing of customers for whom they were holding deposits. The failure of the department to identify individual customer deposits results in a material weakness in internal control over deposits.

H. The department had purchasing deficiencies

1. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments. Also, our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amount and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.
2. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process.
3. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

I. Duties were not segregated adequately

Duties were not segregated adequately among officials and employees in the water and sewer department. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

RECOMMENDATION

Hartsville/Trousdale County Government officials should do the following:

- A. All grant-financial transactions should be included in the department's accounting records.
- B. The department could use the county trustee to maintain its operating accounts in a dedicated enterprise fund. All disbursements should be made by official prenumbered checks or warrants.

- C. The daily operating funds cash drawers should not be used for petty cash transactions. Officials should establish written policies and procedures governing the use of petty cash.
- D. The accounts receivable general ledger account should be reconciled with individual customer accounts monthly. Also, the department should adopt formal written policies and procedures for determining and accounting for delinquencies.
- E. The department should establish policies and procedures for maintaining an inventory of repair parts and supplies. This inventory should be reflected on the accounting records and periodically verified by personnel not involved in the inventory process.
- F. Officials should compile and maintain records that properly account for their capital assets. These records should properly identify the capital assets owned by the department, their historical cost, and their related depreciation amounts. Furthermore, the department should establish formal policies and procedures for identification and maintenance of the capital assets. These policies should include capitalization thresholds, salvage values, depreciation methods, and useful lives of assets. This information is necessary to present the department's financial statements in accordance with generally accepted accounting principles.
- G. All liabilities of the department should be properly recorded on the accounting records. Amounts reflected as liabilities on the general ledger should be reconciled with subsidiary accounts monthly.
- H. The department should improve purchasing procedures by issuing purchase orders for all applicable purchases and obtaining documentation that goods have been received or services rendered before invoices are paid. Also, all invoices should be cancelled when paid.
- I. To strengthen internal controls over operations, this office should adequately segregate duties among employees.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 05.05**

**THE OFFICE DID NOT USE PURCHASE ORDERS**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Highway Superintendent did not issue purchase orders. Purchase orders are necessary to control who has purchasing authority for the Highway Department and to document purchasing commitments.

RECOMMENDATION

The office should implement a purchase order system to strengthen internal controls over the purchasing process.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.06      **THE OFFICE HAD PURCHASING DEFICIENCIES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of purchasing procedures noted the following deficiencies:

- A. Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. Also, in several instances, the office issued purchase orders after the purchases were made. This practice defeats the purpose of issuing the purchase order and makes the purchase order an approval for payment rather than an approval for the purchase.
- B. In numerous instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and obtaining documentation that goods have been received or services have been rendered before invoices are paid.

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FINDING 05.07      **THE OFFICE DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office maintained inventory records of assets owned by the School Department. However, all assets were not tagged or otherwise clearly identified as School Department property. In addition, some inventory records did not contain sufficient information such as the assets serial number or other form of identification that would allow the asset to be physically inspected and reconciled with the inventory record. Generally accepted accounting principles require accountability for all department-owned assets, such as equipment, furniture, and vehicles. If assets are not identified as department property, the department's inventory controls are weakened.

RECOMMENDATION

All assets should be tagged or otherwise identified as School Department property. Also, inventory records should include specific identification, such as serial numbers, to allow assets to be periodically verified by personnel independent of maintaining these records.

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OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.08      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

Hartsville/Trousdale County Consolidated Government officials should consider adopting the County Financial Management System of 1981 or a private act that would provide a central system of accounting, budgeting, and purchasing covering all county departments.

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FINDING 05.09      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

With only three people in the office, segregating duties would be impossible. I am unable to hire more employees due to limited available funds.

**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 Housing and Urban Development Passed-through State Department of Economic and Community Development	05.10	14.228	Circular A-133, Section 300(d)	Reportable condition in internal control see Finding 05.04(A) Grant activity was not included on the department's accounting records	\$0

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE, AND  
HARTSVILLE/TROUSDALE COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs. There are two audit finding relative to federal awards presented in the current year's Schedule of Findings and Questioned Costs.

**Office of County Executive – Corrective Action Plan for Current Year Findings**

**FINDINGS 05.04(A) and 05.10**

In the future, grantors will be directed to make all payments to the Hartsville/Trousdale County Government Trustee's Office, and all grants passed to subreipients will be recorded on the accounting records.