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

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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

ANNUAL FINANCIAL REPORT

HANCOCK COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2006

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HANCOCK COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Hancock County, Tennessee
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hancock County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

HANCOCK COUNTY

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

OFFICE OF COUNTY MAYOR

- The office had not established a formal purchase order system.
- The county had not developed procurement procedures to ensure bids were properly solicited.
- The county did not solicit bids or require the hospital lessee to provide documentation that bids had been solicited on hospital purchases exceeding $5,000. Also, there was no documentation on file to support that either the county or the hospital lessee had verified that contracting parties had not been suspended or debarred.
- Expenditures exceeded total appropriations approved by the County Commission in the General Fund ($175,798) and the Drug Control Fund ($1,706).

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- Unidentified funds as of August 31, 2002, carried forward from the former clerk were not remitted to the state as unclaimed property.

OFFICE OF PROPERTY ASSESSOR

- Rollback taxes were not calculated by the assessor for changes in use or ownership of greenbelt property.
- Prorations of values for improvements were not made in compliance with state statute.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Hancock County Officials
June 30, 2006

Officials

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

Board of County Commissioners

Nicholas Cantwell, Chairman
Jerry Anderson
Willis Gibson, Jr.
John Goodman
Bobby Johnson
Ellis Johnson, Jr.
Lee Johnson, Jr.
Kenny Lamb
Ronnie McDaniel
Ronnie Nichols
Gary Seal
Rufus Presley
Dr. John Short
Dewey Taylor
Randy White

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

August 2, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 41, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Hancock County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

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

In our opinion, because of the effects of the 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 Hancock County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2006, 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 2, 2006, on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 44 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 consists principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor

fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS							
Cash	$ 0	$ 0	$ 0	$ 0	$ 0	$ 114	$ 114
Equity in Pooled Cash and Investments	103,958	71,127	341,206	861,322	792,048	86,883	2,256,544
Accounts Receivable	36,337	1,781	0	232,834	970	26,360	298,282
Due from Other Governments	174,546	1,659	223,551	46	0	50,000	449,802
Due from Other Funds	9,673	0	5,039	0	0	0	14,712
Due from Component Units	2,125	0	0	0	0	0	2,125
Property Taxes Receivable	621,063	249,940	0	15,148	0	0	886,151
Allowance for Uncollectible Property Taxes	(35,348)	(14,225)	0	(863)	0	0	(50,436)
Total Assets	$ 912,354	$ 310,282	$ 569,796	$ 1,108,487	$ 793,018	$ 163,357	$ 3,857,294
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	$ 212,737	$ 9,223	$ 160	$ 60,513	$ 0	$ 1,500	$ 284,133
Accrued Payroll	3,096	0	0	0	0	0	3,096
Contracts Payable	0	0	0	0	0	19,897	19,897
Due to Other Funds	5,039	0	0	0	0	114	5,153
Due to State of Tennessee	5,070	0	0	0	0	0	5,070
Deferred Revenue - Current Property Taxes	564,694	227,255	0	13,773	0	0	805,722
Deferred Revenue - Delinquent Property Taxes	20,323	8,179	0	495	0	0	28,997
Other Deferred Revenues	10,688	93	111,776	150,015	0	43,002	315,574
Total Liabilities	$ 821,647	$ 244,750	$ 111,936	$ 224,796	$ 0	$ 64,513	$ 1,467,642
Fund Balances							
Reserved for Sexual Offender Registration	$ 345	$ 0	$ 0	$ 0	$ 0	$ 0	$ 345
Reserved for Computer System - Register	12,027	0	0	0	0	0	12,027
Reserved for Automation Purposes - Circuit Court	300	0	0	0	0	0	300
Reserved for Automation Purposes - General Sessions Court	3,706	0	0	0	0	0	3,706
Reserved for Automation Purposes - Chancery Court	888	0	0	0	0	0	888
Other Federal Reserves	10,000	0	0	0	0	0	10,000
Unreserved, Reported In:							
General Fund	63,441	0	0	0	0	0	63,441

(Continued)

Exhibit A

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

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)							
Fund Balances (Cont.)							
Unreserved, Reported In (Cont.):							
Special Revenue Funds	$ 0	$ 65,532	$ 457,860	$ 0	$ 0	$ 97,655	$ 621,047
Debt Service Funds	0	0	0	883,691	0	0	883,691
Capital Projects Funds	0	0	0	0	793,018	1,189	794,207
Total Fund Balances	$ 90,707	$ 65,532	$ 457,860	$ 883,691	$ 793,018	$ 98,844	$ 2,389,652
Total Liabilities and Fund Balances	$ 912,354	$ 310,282	$ 569,796	$ 1,108,487	$ 793,018	$ 163,357	$ 3,857,294

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

Exhibit B

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Revenues							
Local Taxes	$ 736,201	$ 225,730	$ 0	$ 17,627	$ 0	$ 0	$ 979,558
Fines, Forfeitures, and Penalties	35,542	0	0	0	0	3,351	38,893
Charges for Current Services	529,190	10,705	0	0	0	210,331	750,226
Other Local Revenues	144,764	0	23,405	240,288	94,122	606	503,185
Fees Received from County Officials	225,565	0	0	0	0	0	225,565
State of Tennessee	1,442,923	4,145	1,291,886	31	0	0	2,738,985
Federal Government	520,134	0	8,414	0	402,326	65,168	996,042
Other Governments and Citizens Groups	78,124	0	0	1,269,320	0	0	1,347,444
Total Revenues	$ 3,712,443	$ 240,580	$ 1,323,705	$ 1,527,266	$ 496,448	$ 279,456	$ 7,579,898
Expenditures							
Current:							
General Government	$ 421,435	$ 0	$ 0	$ 0	$ 0	$ 0	$ 421,435
Finance	296,270	0	0	0	0	0	296,270
Administration of Justice	221,863	0	0	0	0	353	222,216
Public Safety	1,743,849	0	0	0	0	2,706	1,746,555
Public Health and Welfare	838,897	203,175	0	0	0	291,451	1,333,523
Social, Cultural, and Recreational Services	126,912	0	0	0	0	0	126,912
Agricultural and Natural Resources	40,734	0	0	0	0	0	40,734
Other Operations	264,570	0	0	0	0	0	264,570
Highways	0	0	1,252,365	0	0	0	1,252,365
Debt Service:							
Principal on Debt	54,983	0	0	520,135	0	0	575,118
Interest on Debt	5,973	0	0	766,160	0	0	772,133
Other Debt Service	0	0	0	68,255	0	0	68,255
Capital Projects	0	0	0	0	130,534	112,425	242,959
Total Expenditures	$ 4,015,486	$ 203,175	$ 1,252,365	$ 1,354,550	$ 130,534	$ 406,935	$ 7,363,045
Excess (Deficiency) of Revenues Over Expenditures	$ (303,043)	$ 37,405	$ 71,340	$ 172,716	$ 365,914	$ (127,479)	$ 216,853

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses)							
Notes Issued	$ 94,899	$ 0	$ 0	$ 0	$ 0	$ 25,000	$ 119,899
Other Loans Issued	0	0	0	0	0	91,028	91,028
Transfers In	14,000	0	0	0	0	44,000	58,000
Transfers Out	(44,000)	0	0	0	0	(14,000)	(58,000)
Total Other Financing Sources (Uses)	$ 64,899	$ 0	$ 0	$ 0	$ 0	$ 146,028	$ 210,927
Net Change in Fund Balances	$ (238,144)	$ 37,405	$ 71,340	$ 172,716	$ 365,914	$ 18,549	$ 427,780
Fund Balance, July 1, 2005	328,851	28,127	386,520	710,975	427,104	80,295	1,961,872
Fund Balance, June 30, 2006	$ 90,707	$ 65,532	$ 457,860	$ 883,691	$ 793,018	$ 98,844	$ 2,389,652

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

Exhibit C

Hancock County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	Agency Funds
ASSETS	
Cash	$ 390,039
Equity in Pooled Cash and Investments	18,572
Accounts Receivable	4,895
Due from Other Governments	24,159
Prepaid Items	2,003
Total Assets	$ 439,668
LIABILITIES	
Accounts Payable	$ 723
Due to Other Funds	9,559
Due to Other Taxing Units	48,906
Due to Litigants, Heirs, and Others	380,480
Total Liabilities	$ 439,668

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

HANCOCK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hancock County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

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

and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hancock County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Hancock County reports the following major governmental funds:

> **General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **Solid Waste/Sanitation Fund** – This fund is used to account for transactions involving solid waste collection.

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

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Other Capital Projects Fund – This fund is used to account for the construction of a new hospital.

Additionally, Hancock County reports the following fund type:

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Hancock County and Hancock County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Hancock County and the Hancock County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered

mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.07 percent of total taxes levied.

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

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

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

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

3. **Prepaid Items**

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

4. **Capital Assets**

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

5. **Compensated Absences**

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

6. **Long-term Obligations**

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

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

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. The Other Federal Reserve in the General Fund represents unexpended grant revenues.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the 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, County Mayor/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the General Fund by $175,798 and in the Drug Control Fund by $1,706. Such over expenditures are violations of state statutes. These overexpenditures were funded by available fund balances.

C. The Actual Fund Balance Exceeded the Estimated Beginning Fund Balance by a Significant Amount

The Highway/Public Works Fund's actual fund balance at July 1, 2005, was $386,520; however, the estimated fund balance reflected in the county's budget was $242,192. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by $144,328.

D. Noncompliance with Grant Requirements

Hancock County did not comply with Part 3(I) of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement for the Health Care and Other Facilities grant (CFDA No. 93.887) from the U.S. Department of Health and Human Services. This noncompliance resulted in questioned costs of $402,326. See footnote IV. D. Contingent Liabilities.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2006.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 114
General	Agency	9,559
Highway/Public Works	General	5,039

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

Due to /from primary government and component unit:

Receivable Fund	Payable Fund	Amount
Primary government:	Component unit:	
General	Hancock County School Department:	
	General Purpose School	$ 2,125

Interfund Transfers:
Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

	Transfers In	
Transfer Out	General Fund	Nonmajor Governmental Funds
General Fund	$ 0	$ 44,000
Nonmajor governmental funds	14,000	0
Total	$ 14,000	$ 44,000

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

C. Leases

Hospital Lease

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

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

Year Ending June 30	Amount
2007	$ 553,413
2008	539,787
2009	526,160
2010	513,280
2011	498,907
2012-2016	2,290,730
2017-2021	1,949,915
2022-2026	1,609,248
2027-2029	801,760
Total	$ 9,283,200

The original lease agreement called for Wellmont to operate the county's Emergency Medical Service (EMS) and for the county to pay Wellmont a subsidy of $200,000 per year, which would be netted against the lease payments made by Wellmont. During the year, the county and Wellmont amended the lease whereby the county retains the EMS operations. In addition to retaining the EMS operations, Wellmont agreed to reimburse the county the prior subsidy totaling $200,000 over a period of four years. This receivable is reflected on the balance sheet of the General Debt Service Fund.

In the financial statements of the General Debt Service Fund, revenues of $708,223 have been recognized from Wellmont during the year. This amount includes $562,635 current lease payments under the agreement, $50,000 as reimbursement of prior year EMS subsidy, and $95,588 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility.

Capital Leases for Equipment

On September 22, 2004, Hancock County entered into a three-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of $146,010 plus interest at 4.1 percent. Title to the vehicles transfers to Hancock County at the end of the lease period. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30		Governmental Funds
2007	$	38,731
2008		38,731
Total Minimum Lease Payments	$	77,462
Amount Representing Interest		(4,516)
Present Value of Minimum Lease Payments	$	72,946

D. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, other loans have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to three years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2006, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2006, will be retired from the General Fund and the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Notes	3.85 to 4.45%	$ 181,849	$ 140,549
Other Loans	Variable	14,595,000	13,445,570
Capital Leases	4.1	146,010	72,946
General Obligation Bonds	4.6 to 5.6	6,385,000	5,837,269

In prior years, Hancock County entered into three loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make $12,000,000, $945,000, and $1,650,000 available for loan to Hancock County on an as-needed basis to finance the school building program, to refinance the outstanding jail construction bonds, and to finance school capital projects and hospital building projects, respectively. At June 30, 2006, Hancock County had borrowed the entire amount of these loans except for the hospital building project, which the county has notified the bank to close the account and transfer the remaining balance to the public building authority's bond fund. These loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2006, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
Montgomery County Public Building Authority					
School Construction Loan Program (1997)	$ 12,000,000	$ 11,400,000	Variable	4 %	0.54 %
Refunding Issue Loan Program (2002)	945,000	749,000	Variable	4.1	0.69
School Construction and Hospital Equipment Loan Program (2005)	1,650,000	1,296,570	Variable	4.1	0.51
Total		$ 13,445,570			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	$ 271,190	$ 328,373	$ 60,616	$ 5,977
2008	271,248	313,290	39,966	3,454
2009	271,309	298,203	39,967	1,727
2010	271,373	283,879	0	0
2011	271,440	268,021	0	0
2012-2016	1,298,324	1,115,590	0	0
2017-2021	1,210,559	764,141	0	0
2022-2026	1,213,395	420,638	0	0
2027-2031	736,995	89,550	0	0
2032-2036	21,436	3,349	0	0
Total	$ 5,837,269	$ 3,885,034	$ 140,549	$ 11,158

Year Ending June 30	Loans Payable			
	Principal	Interest	Other Fees	Total
2007	$ 353,000	$ 539,868	$ 73,343	$ 966,211
2008	376,000	525,645	71,365	973,010
2009	409,000	510,500	69,261	988,761
2010	442,000	494,030	66,975	1,003,005
2011	477,000	476,239	64,509	1,017,748
2012-2016	2,835,000	2,071,679	279,674	5,186,353
2017-2021	3,393,000	1,450,236	194,401	5,037,637
2022-2026	4,193,000	712,332	95,435	5,000,767
2027-2031	967,570	39,646	5,297	1,012,513
Total	$ 13,445,570	$ 6,820,175	$ 920,260	$ 21,186,005

There is $883,691 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to $866, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to $2,893, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2005	$ 6,108,404	$ 41,300	$ 107,279
Additions	0	119,899	0
Deductions	(271,135)	(20,650)	(34,333)
Balance, June 30, 2006	$ 5,837,269	$ 140,549	$ 72,946
Balance Due Within One Year	$ 271,190	$ 60,616	$ 35,740

	Landfill Closure/ Postclosure Care Cost	Other Loans	Compensated Absences
Balance, July 1, 2005	$ 163,386	$ 13,603,542	$ 44,401
Additions	6,741	91,028	22,099
Deductions	(7,427)	(249,000)	(8,880)
Balance, June 30, 2006	$ 162,700	$ 13,445,570	$ 57,620
Balance Due Within One Year	$ 7,748	$ 353,000	$ 11,524

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

E. Short-term Debt

Hancock County issued revenue anticipation notes to provide temporary operating funds for the General Fund. These notes were necessary because the cash balance was not sufficient to meet current operations. These notes were retired prior to June 30, 2006, as required by state statutes, and therefore have not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Revenue Anticipation Notes	$ 0	$ 200,000	$ (200,000)	$ 0

IV. OTHER INFORMATION

A. Risk Management

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

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Hancock County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Hancock County will

prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Hancock County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Hancock County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Hancock County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Hancock County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

Hancock County has issued revenue anticipation notes of $250,000 subsequent to June 30, 2006, to provide temporary operating funds for the General Fund.

On July 3, 2006, Hancock County entered into a contract totaling $298,893 to install an elevator and handicap accessible restrooms in the Hancock County courthouse.

Janie Lamb was elected the new register and succeeds Melissa Bell effective September 1, 2006.

D. Contingent Liabilities

Hancock County may be liable to the U.S. Department of Health and Human Services for questioned cost resulting from their noncompliance with Part 3(I) of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement for the Health Care and Other Facilities grant (CFDA No. 93.887). Questioned costs of $402,326 are reported in the Findings

and Questioned Costs section of the Single Audit Report for Hancock County. The ultimate determination as to the allowability of these costs will be made by the grantor.

Hancock County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts (ADA). This lawsuit applies to all of Hancock County facilities. Hancock County was awarded a loan and grant totaling $193,000 from the U.S. Department of Agriculture to provide funding for the renovations to the courthouse. The county attorney estimates that once those renovations are complete, the county's risk of exposure to monetary damages from this suit will be minimal. The county is involved in other pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Landfill Closure/Postclosure Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Hancock County has stopped accepting waste and has placed the final cover on its landfill. The $162,700 reported as postclosure care liability as of June 30, 2006, represents the estimated postclosure care cost for the next 21 years. The postclosure care is based on what it would cost to perform all postclosure care in 2006. Therefore, annual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between district attorney general of the Third Judicial District; Greene, Hamblen, Hancock and Hawkins counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2006, 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:

Administrative Office:

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

G. Jointly Governed Organization

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

H. Retirement Commitments

Plan Description

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

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

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

Funding Policy

Hancock County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 3.49 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hancock County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Hancock County's annual pension cost of $18,345 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hancock County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 19 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	$18,345	100%	$0
6-30-05	17,493	100	0
6-30-04	10,633	100	0

Required Supplementary Information
Schedule of Funding Progress for Hancock County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	$973	$980	$7	99.29%	$459	1.53%
6-30-01	837	837	0	100.00	401	0.00
6-30-99	676	697	21	96.99	347	6.05

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provides for purchases exceeding $5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit D-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 736,201	$ 705,919	$ 705,919	$ 30,282
Fines, Forfeitures, and Penalties	35,542	35,580	35,580	(38)
Charges for Current Services	529,190	654,500	654,500	(125,310)
Other Local Revenues	144,764	82,000	137,836	6,928
Fees Received from County Officials	225,565	211,000	211,000	14,565
State of Tennessee	1,442,923	1,347,862	1,385,199	57,724
Federal Government	520,134	438,147	541,207	(21,073)
Other Governments and Citizens Groups	78,124	50,000	50,000	28,124
Total Revenues	$ 3,712,443	$ 3,525,008	$ 3,721,241	$ (8,798)
Expenditures				
General Government				
County Commission	$ 23,308	$ 23,225	$ 27,825	$ 4,517
County Mayor/Executive	123,968	111,723	124,077	109
County Attorney	16,147	16,150	16,150	3
Election Commission	148,180	67,966	153,116	4,936
Register of Deeds	73,228	74,745	74,745	1,517
County Buildings	36,604	74,150	69,200	32,596
Finance				
Property Assessor's Office	76,731	77,480	77,480	749
Reappraisal Program	7,675	12,065	11,115	3,440
County Trustee's Office	79,725	74,742	81,242	1,517
County Clerk's Office	95,528	92,477	97,277	1,749
Other Finance	36,611	36,000	38,000	1,389
Administration of Justice				
Circuit Court	85,398	107,896	107,896	22,498
General Sessions Court	50,185	52,535	52,535	2,350
Chancery Court	73,615	70,747	73,547	(68)
District Attorney General	12,665	16,000	16,000	3,335
Public Safety				
Sheriff's Department	391,858	393,139	397,419	5,561
Jail	963,625	630,529	711,566	(252,059)
Juvenile Services	93,722	97,337	97,337	3,615
Commissary	69,310	45,345	75,345	6,035
Civil Defense	26,247	24,088	28,588	2,341
Other Emergency Management	184,974	221,519	221,519	36,545
County Coroner/Medical Examiner	12,478	12,445	12,445	(33)
Other Public Safety	1,635	1,000	3,000	1,365
Public Health and Welfare				
Local Health Center	12,311	20,000	20,000	7,689
Ambulance/Emergency Medical Services	688,421	585,295	585,295	(103,126)
Alcohol and Drug Programs	3,835	2,791	2,791	(1,044)
Crippled Children Services	415	415	415	0

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Public Health and Welfare (Cont.)				
Other Local Health Services	$ 102,941	$ 105,800	$ 105,800	$ 2,859
Sanitation Management	30,974	31,462	31,462	488
Other Public Health and Welfare	0	0	10,000	10,000
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	6,391	6,319	6,419	28
Libraries	44,129	53,278	53,278	9,149
Other Social, Cultural, and Recreational	76,392	70,852	73,712	(2,680)
Agriculture & Natural Resources				
Agriculture Extension Service	30,937	40,040	40,040	9,103
Soil Conservation	9,797	10,552	10,552	755
Other Operations				
Public Transportation	241,186	245,899	245,899	4,713
Veterans' Services	6,920	7,119	7,119	199
Employee Benefits	16,464	17,000	18,000	1,536
Principal on Debt				
General Government	54,983	65,782	55,082	99
Interest on Debt				
General Government	5,973	0	6,400	427
Total Expenditures	$ 4,015,486	$ 3,595,907	$ 3,839,688	$ (175,798)
Excess (Deficiency) of Revenues Over Expenditures	$ (303,043)	$ (70,899)	$ (118,447)	$ (184,596)
Other Financing Sources (Uses)				
Notes Issued	$ 94,899	$ 64,899	$ 94,899	$ 0
Transfers In	14,000	0	14,000	0
Transfers Out	(44,000)	(44,000)	(44,000)	0
Total Other Financing Sources (Uses)	$ 64,899	$ 20,899	$ 64,899	$ 0
Net Change in Fund Balance	$ (238,144)	$ (50,000)	$ (53,548)	$ (184,596)
Fund Balance, July 1, 2005	328,851	328,851	328,851	0
Fund Balance, June 30, 2006	$ 90,707	$ 278,851	$ 275,303	$ (184,596)

Exhibit D-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 225,730	$ 214,900	$ 214,900	$ 10,830
Charges for Current Services	10,705	10,500	10,500	205
State of Tennessee	4,145	5,078	5,078	(933)
Total Revenues	$ 240,580	$ 230,478	$ 230,478	$ 10,102
Expenditures				
Public Health and Welfare				
Sanitation Management	$ 203,175	$ 239,705	$ 239,705	$ 36,530
Total Expenditures	$ 203,175	$ 239,705	$ 239,705	$ 36,530
Excess (Deficiency) of Revenues Over Expenditures	$ 37,405	$ (9,227)	$ (9,227)	$ 46,632
Net Change in Fund Balance	$ 37,405	$ (9,227)	$ (9,227)	$ 46,632
Fund Balance, July 1, 2005	28,127	28,127	28,127	0
Fund Balance, June 30, 2006	$ 65,532	$ 18,900	$ 18,900	$ 46,632

Exhibit D-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Other Local Revenues	$ 23,405	$ 0	$ 0	$ 23,405
State of Tennessee	1,291,886	1,548,068	1,548,068	(256,182)
Federal Government	8,414	0	0	8,414
Total Revenues	$ 1,323,705	$ 1,548,068	$ 1,548,068	$ (224,363)
Expenditures				
Finance				
Data Processing	$ 0	$ 6,000	$ 0	$ 0
Highways				
Administration	402,289	428,869	434,869	32,580
Highway and Bridge Maintenance	590,430	775,644	760,644	170,214
Operation and Maintenance of Equipment	116,722	105,241	120,241	3,519
Other Charges	57,020	70,348	70,348	13,328
Employee Benefits	81,381	88,106	88,106	6,725
Capital Outlay	4,523	316,052	316,052	311,529
Total Expenditures	$ 1,252,365	$ 1,790,260	$ 1,790,260	$ 537,895
Excess (Deficiency) of Revenues Over Expenditures	$ 71,340	$ (242,192)	$ (242,192)	$ 313,532
Net Change in Fund Balance	$ 71,340	$ (242,192)	$ (242,192)	$ 313,532
Fund Balance, July 1, 2005	386,520	242,192	242,192	144,328
Fund Balance, June 30, 2006	$ 457,860	$ 0	$ 0	$ 457,860

HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Hancock 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, County Mayor/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the Hancock County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded total appropriations approved by the County Commission in the General Fund by $175,798. Such over expenditure is a violation of state statues. This over expenditure was funded by available fund balance.

C. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A SIGNIFICANT AMOUNT

The Highway/Public Works Fund's actual fund balance at July 1, 2005, was $386,520; however, the estimated fund balance reflected in the county's budget was $242,192. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by $144,328.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

Health Department Fund – The Health Department Fund is used to account for the transactions related to the county health department.

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

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for the transactions related to the Hancock County Home Health Care Program.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Capital Projects Fund

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county and debt issued by Hancock County that is subsequently contributed to the discretely presented Hancock County School Department for building construction and renovations.

Exhibit E-1

Hancock County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds					Capital Projects Fund	
	Health Department	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total	General Capital Projects	Total Nonmajor Governmental Funds
ASSETS							
Cash	$ 0	$ 0	$ 0	$ 114	$ 114	$ 0	$ 114
Equity in Pooled Cash and Investments	10,961	462	59,872	0	71,295	15,588	86,883
Accounts Receivable	0	0	26,360	0	26,360	0	26,360
Due from Other Governments	0	0	0	0	0	50,000	50,000
Total Assets	$ 10,961	$ 462	$ 86,232	$ 114	$ 97,769	$ 65,588	$ 163,357
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,500	$ 1,500
Contracts Payable	0	0	0	0	0	19,897	19,897
Due to Other Funds	0	0	0	114	114	0	114
Other Deferred Revenues	0	0	0	0	0	43,002	43,002
Total Liabilities	$ 0	$ 0	$ 0	$ 114	$ 114	$ 64,399	$ 64,513
Fund Balances							
Unreserved	$ 10,961	$ 462	$ 86,232	$ 0	$ 97,655	$ 1,189	$ 98,844
Total Fund Balances	$ 10,961	$ 462	$ 86,232	$ 0	$ 97,655	$ 1,189	$ 98,844
Total Liabilities and Fund Balances	$ 10,961	$ 462	$ 86,232	$ 114	$ 97,769	$ 65,588	$ 163,357

Exhibit E-2

Hancock County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds					Capital Projects Fund	
	Health Department	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total	General Capital Projects	Total Nonmajor Governmental Funds
Revenues							
Fines, Forfeitures, and Penalties	$ 0	$ 3,351	$ 0	$ 0	$ 3,351	$ 0	$ 3,351
Charges for Current Services	0	0	209,978	353	210,331	0	210,331
Other Local Revenues	0	600	6	0	606	0	606
Federal Government	0	0	0	0	0	65,168	65,168
Total Revenues	$ 0	$ 3,951	$ 209,984	$ 353	$ 214,288	$ 65,168	$ 279,456
Expenditures							
Current:							
Administration of Justice	$ 0	$ 0	$ 0	$ 353	$ 353	$ 0	$ 353
Public Safety	0	2,706	0	0	2,706	0	2,706
Public Health and Welfare	60,139	0	231,312	0	291,451	0	291,451
Capital Projects	0	0	0	0	0	112,425	112,425
Total Expenditures	$ 60,139	$ 2,706	$ 231,312	$ 353	$ 294,510	$ 112,425	$ 406,935
Excess (Deficiency) of Revenues Over Expenditures	$ (60,139)	$ 1,245	$ (21,328)	$ 0	$ (80,222)	$ (47,257)	$ (127,479)
Other Financing Sources (Uses)							
Notes Issued	$ 0	$ 0	$ 0	$ 0	$ 0	$ 25,000	$ 25,000
Other Loans Issued	0	0	0	0	0	91,028	91,028
Transfers In	44,000	0	0	0	44,000	0	44,000
Transfers Out	0	(14,000)	0	0	(14,000)	0	(14,000)
Total Other Financing Sources (Uses)	$ 44,000	$ (14,000)	$ 0	$ 0	$ 30,000	$ 116,028	$ 146,028
Net Change in Fund Balances	$ (16,139)	$ (12,755)	$ (21,328)	$ 0	$ (50,222)	$ 68,771	$ 18,549
Fund Balance, July 1, 2005	27,100	13,217	107,560	0	147,877	(67,582)	80,295
Fund Balance, June 30, 2006	$ 10,961	$ 462	$ 86,232	$ 0	$ 97,655	$ 1,189	$ 98,844

Exhibit E-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Health Department Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Total Revenues	$ 0	$ 0	$ 0	$ 0
Expenditures				
Public Health and Welfare				
Local Health Center	$ 60,139	$ 71,100	$ 71,100	$ 10,961
Total Expenditures	$ 60,139	$ 71,100	$ 71,100	$ 10,961
Excess (Deficiency) of Revenues Over Expenditures	$ (60,139)	$ (71,100)	$ (71,100)	$ 10,961
Other Financing Sources (Uses)				
Transfers In	$ 44,000	$ 44,000	$ 44,000	$ 0
Total Other Financing Sources (Uses)	$ 44,000	$ 44,000	$ 44,000	$ 0
Net Change in Fund Balance	$ (16,139)	$ (27,100)	$ (27,100)	$ 10,961
Fund Balance, July 1, 2005	27,100	27,100	27,100	0
Fund Balance, June 30, 2006	$ 10,961	$ 0	$ 0	$ 10,961

Exhibit E-4

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 3,351	$ 0	$ 3,000	$ 351
Other Local Revenues	600	0	0	600
Total Revenues	$ 3,951	$ 0	$ 3,000	$ 951
Expenditures				
Public Safety				
Drug Enforcement	$ 2,706	$ 1,000	$ 1,000	$ (1,706)
Total Expenditures	$ 2,706	$ 1,000	$ 1,000	$ (1,706)
Excess (Deficiency) of Revenues Over Expenditures	$ 1,245	$ (1,000)	$ 2,000	$ (755)
Other Financing Sources (Uses)				
Transfers Out	$ (14,000)	$ 0	$ (14,000)	$ 0
Total Other Financing Sources (Uses)	$ (14,000)	$ 0	$ (14,000)	$ 0
Net Change in Fund Balance	$ (12,755)	$ (1,000)	$ (12,000)	$ (755)
Fund Balance, July 1, 2005	13,217	13,217	13,217	0
Fund Balance, June 30, 2006	$ 462	$ 12,217	$ 1,217	$ (755)

Exhibit E-5

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 209,978	$ 188,100	$ 188,100	$ 21,878
Other Local Revenues	6	0	0	6
Total Revenues	$ 209,984	$ 188,100	$ 188,100	$ 21,884
Expenditures				
Public Health and Welfare				
Other Local Health Services	$ 231,312	$ 238,100	$ 258,100	$ 26,788
Total Expenditures	$ 231,312	$ 238,100	$ 258,100	$ 26,788
Excess (Deficiency) of Revenues Over Expenditures	$ (21,328)	$ (50,000)	$ (70,000)	$ 48,672
Net Change in Fund Balance	$ (21,328)	$ (50,000)	$ (70,000)	$ 48,672
Fund Balance, July 1, 2005	107,560	107,560	107,560	0
Fund Balance, June 30, 2006	$ 86,232	$ 57,560	$ 37,560	$ 48,672

Major Governmental Fund

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

Exhibit F

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 17,627	$ 18,247	$ 18,247	$ (620)
Other Local Revenues	240,288	100,000	100,000	140,288
State of Tennessee	31	100	100	(69)
Other Governments and Citizens Groups	1,269,320	1,012,418	1,012,418	256,902
Total Revenues	$ 1,527,266	$ 1,130,765	$ 1,130,765	$ 396,501
Expenditures				
Principal on Debt				
General Government	$ 351,735	$ 352,735	$ 352,735	$ 1,000
Education	168,400	168,400	168,400	0
Interest on Debt				
General Government	385,830	411,620	412,120	26,290
Education	380,330	598,510	622,510	242,180
Other Debt Service				
General Government	19,838	7,500	19,840	2
Education	48,417	0	48,460	43
Total Expenditures	$ 1,354,550	$ 1,538,765	$ 1,624,065	$ 269,515
Excess (Deficiency) of Revenues Over Expenditures	$ 172,716	$ (408,000)	$ (493,300)	$ 666,016
Net Change in Fund Balance	$ 172,716	$ (408,000)	$ (493,300)	$ 666,016
Fund Balance, July 1, 2005	710,975	710,975	710,975	0
Fund Balance, June 30, 2006	$ 883,691	$ 302,975	$ 217,675	$ 666,016

Fiduciary Funds

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

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

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

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

Exhibit G-1

Hancock County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	Agency Funds			
	Cities - Sales Tax	Constitu - tional Officers - Agency	Other Agency	Total
ASSETS				
Cash	$ 0	$ 390,039	$ 0	$ 390,039
Equity in Pooled Cash and Investments	0	0	18,572	18,572
Accounts Receivable	0	0	4,895	4,895
Due from Other Governments	24,159	0	0	24,159
Prepaid Items	0	0	2,003	2,003
Total Assets	$ 24,159	$ 390,039	$ 25,470	$ 439,668
LIABILITIES				
Accounts Payable	$ 0	$ 0	$ 723	$ 723
Due to Other Funds	0	9,559	0	9,559
Due to Other Taxing Units	24,159	0	24,747	48,906
Due to Litigants, Heirs, and Others	0	380,480	0	380,480
Total Liabilities	$ 24,159	$ 390,039	$ 25,470	$ 439,668

Exhibit G-2

Hancock County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 139,760	$ 139,760	$ 0
Due from Other Governments	21,503	24,159	21,503	24,159
Total Assets	$ 21,503	$ 163,919	$ 161,263	$ 24,159
Liabilities				
Due to Other Taxing Units	$ 21,503	$ 163,919	$ 161,263	$ 24,159
Total Liabilities	$ 21,503	$ 163,919	$ 161,263	$ 24,159
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 482,749	$ 1,058,313	$ 1,151,023	$ 390,039
Total Assets	$ 482,749	$ 1,058,313	$ 1,151,023	$ 390,039
Liabilities				
Due to Other Funds	$ 10,062	$ 9,559	$ 10,062	$ 9,559
Due to Litigants, Heirs, and Others	472,687	1,048,754	1,140,961	380,480
Total Liabilities	$ 482,749	$ 1,058,313	$ 1,151,023	$ 390,039
Other Agency Fund				
Assets				
Equity in Pooled Cash and Investments	$ 26,149	$ 87,268	$ 94,845	$ 18,572
Accounts Receivable	2,523	4,895	2,523	4,895
Prepaid Items	2,568	2,003	2,568	2,003
Total Assets	$ 31,240	$ 94,166	$ 99,936	$ 25,470
Liabilities				
Accounts Payable	$ 234	$ 723	$ 234	$ 723
Due to Other Taxing Units	31,006	93,443	99,702	24,747
Total Liabilities	$ 31,240	$ 94,166	$ 99,936	$ 25,470

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
Totals - All Agency Funds				
Assets				
Cash	$ 482,749	$ 1,058,313	$ 1,151,023	$ 390,039
Equity in Pooled Cash and Investments	26,149	227,028	234,605	18,572
Accounts Receivable	2,523	4,895	2,523	4,895
Due from Other Governments	21,503	24,159	21,503	24,159
Prepaid Items	2,568	2,003	2,568	2,003
Total Assets	$ 535,492	$ 1,316,398	$ 1,412,222	$ 439,668
Liabilities				
Accounts Payable	$ 234	$ 723	$ 234	$ 723
Due to Other Funds	10,062	9,559	10,062	9,559
Due to Other Taxing Units	52,509	257,362	260,965	48,906
Due to Litigants, Heirs, and Others	472,687	1,048,754	1,140,961	380,480
Total Liabilities	$ 535,492	$ 1,316,398	$ 1,412,222	$ 439,668

MISCELLANEOUS SCHEDULES

Exhibit H-1

Hancock County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
Payable through General Fund								
Ambulance	$ 61,950	3.85 %	5-27-04	5-27-07	$ 41,300	$ 0	$ 20,650	$ 20,650
Ambulance	64,899	4.45	8-29-05	8-29-08	0	64,899	0	64,899
Total Payable through General Fund					$ 41,300	$ 64,899	$ 20,650	$ 85,549
Payable through General Debt Service Fund								
Elevator	25,000	4.17	11-4-05	11-4-08	$ 0	$ 25,000	$ 0	$ 25,000
Hospital Re-roof	30,000	4.17	11-4-05	11-4-08	0	30,000	0	30,000
Total Payable through General Debt Service Fund					$ 0	$ 55,000	$ 0	$ 55,000
Total Notes Payable					$ 41,300	$ 119,899	$ 20,650	$ 140,549
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
School Construction	12,000,000	Variable	4-6-00	5-25-27	$ 11,550,000	$ 0	$ 150,000	$ 11,400,000
Refunding Issue	945,000	Variable	6-28-02	5-25-17	802,000	0	53,000	749,000
School Construction and Hospital Equipment	(1)	Variable	5-3-05	5-25-31	1,251,542	91,028	46,000	1,296,570
Total Payable through General Debt Service Fund					$ 13,603,542	$ 91,028	$ 249,000	$ 13,445,570
Total Other Loans Payable					$ 13,603,542	$ 91,028	$ 249,000	$ 13,445,570
CAPITAL LEASES PAYABLE								
Payable through General Fund								
Sheriff's Department Vehicles	146,010	4.1	9-22-04	9-22-07	$ 107,279	$ 0	$ 34,333	$ 72,946
Total Payable through General Fund					$ 107,279	$ 0	$ 34,333	$ 72,946
Total Capital Leases Payable					$ 107,279	$ 0	$ 34,333	$ 72,946

(Continued)

Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
BONDS PAYABLE								
Payable though General Debt Service Fund								
F.H.A. Industrial Development Bond	$ 85,000	4.875 %	3-26-1998	3-26-36	$ 78,404	$ 0	$ 1,135	$ 77,269
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	5,760,000	0	240,000	5,520,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	270,000	0	30,000	240,000
Total Payable through General Debt Service Fund					$ 6,108,404	$ 0	$ 271,135	$ 5,837,269
Total Bonds Payable					$ 6,108,404	$ 0	$ 271,135	$ 5,837,269

(1) The total amount approved for draws under this loan agreement is $1,650,000 of which $1,342,570 has been drawn as of June 30, 2006.
The county notified the bank to transfer the remaining balance to the Montgomery Public Building Authority's bond fund on June 13, 2006.

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	F.H.A Bond Requirements	F.H.A. Interest Requirements	Total Requirements
2007	$ 270,000	$ 324,606	$ 1,190	$ 3,767	$ 599,563
2008	270,000	309,581	1,248	3,709	584,538
2009	270,000	294,555	1,309	3,648	569,512
2010	270,000	280,295	1,373	3,584	555,252
2011	270,000	264,504	1,440	3,517	539,461
2012	270,000	249,478	1,510	3,447	524,435
2013	270,000	234,451	1,584	3,373	509,408
2014	270,000	220,027	1,661	3,296	494,984
2015	240,000	204,400	1,742	3,215	449,357
2016	240,000	190,773	1,827	3,130	435,730
2017	240,000	177,147	1,916	3,041	422,104
2018	240,000	163,968	2,009	2,948	408,925
2019	240,000	149,893	2,107	2,850	394,850
2020	240,000	136,267	2,210	2,747	381,224
2021	240,000	122,640	2,317	2,640	367,597
2022	240,000	109,312	2,430	2,527	354,269
2023	240,000	95,387	2,549	2,408	340,344
2024	240,000	81,760	2,673	2,284	326,717
2025	240,000	68,133	2,803	2,154	313,090
2026	240,000	54,656	2,940	2,017	299,613
2027	240,000	40,880	3,083	1,874	285,837
2028	240,000	27,253	3,234	1,723	272,210
2029	240,000	13,627	3,391	1,566	258,584
2030	0	0	3,557	1,400	4,957
2031	0	0	3,730	1,227	4,957
2032	0	0	3,912	1,045	4,957
2033	0	0	4,103	854	4,957
2034	0	0	4,303	654	4,957
2035	0	0	4,512	445	4,957
2036	0	0	4,606	351	4,957
Total	$ 5,760,000	$ 3,813,593	$ 77,269	$ 71,441	$ 9,722,303

Exhibit H-3

Hancock County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

From Fund	To Fund	Purpose		Amount
General	Health Department	To provide operating funds	$	44,000
Drug Control	General	To purchase fingerprinting equipment		14,000
Total Transfers			$	58,000

Exhibit H-4

Hancock County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period		Bond	Surety
County Mayor	Section 8-24-102, TCA	$ 56,577		$ 25,000	Auto-Owners Mutual Ins. Co.
Road Superintendent	Section 8-24-102, TCA	49,002		100,000	Western Surety Company
Trustee	Section 8-24-102, TCA	44,548		392,000	Auto-Owners Mutual Ins. Co.
Assessor of Property	Section 8-24-102, TCA	44,548		10,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	44,548		25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	44,548		25,000	Auto-Owners Mutual Ins. Co.
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	44,808	(1)	25,000	Western Surety Company
Register	Section 8-24-102, TCA	44,548		15,000	Auto-Owners Mutual Ins. Co.
Sheriff	Section 8-24-102, TCA, and County Commission	54,521	(2)	25,000	Western Surety Company
Employee Blanket Bonds					
Public Employee Dishonesty - County Departments				25,000	"

(1) Includes special commissioner fees of $260.

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

Exhibit H-5

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2006

		Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
Local Taxes						
County Property Taxes						
Current Property Tax	$ 527,845	$ 212,470	$ 0	$ 0	$ 0	$ 0
Trustee's Collections - Prior Year	16,695	6,108	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	9,955	3,836	0	0	0	0
Interest and Penalty	2,686	998	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	14	5	0	0	0	0
County Local Option Taxes						
Local Option Sales Tax	46,494	0	0	0	0	0
Wheel Tax	55,974	0	0	0	0	0
Litigation Tax - General	10,095	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	6,460	0	0	0	0	0
Business Tax	19,249	0	0	0	0	0
Other County Local Option Taxes	20,052	0	0	0	0	0
Statutory Local Taxes						
Bank Excise Tax	13,868	0	0	0	0	0
Wholesale Beer Tax	5,793	2,313	0	0	0	0
Interstate Telecommunications Tax	1,021	0	0	0	0	0
Total Local Taxes	$ 736,201	$ 225,730	$ 0	$ 0	$ 0	$ 0
Fines, Forfeitures, and Penalties						
Circuit Court						
Fines	$ 5,574	$ 0	$ 0	$ 0	$ 0	$ 0
Officers Costs	970	0	0	0	0	0
Drug Control Fines	1,689	0	0	0	0	0
Drug Court Fees	70	0	0	0	0	0
Data Entry Fee - Circuit Court	273	0	0	0	0	0
General Sessions Court						
Fines	15,697	0	0	0	0	0
Officers Costs	3,320	0	0	0	0	0
Drug Control Fines	5,378	0	0	0	0	0
Drug Court Fees	315	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,074	0	0	0	0	0

(Continued)

Exhibit H-5

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

		Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
Fines, Forfeitures, and Penalties (Cont.)						
Chancery Court						
Officers Costs	$ 400	$ 0	$ 0	$ 0	$ 0	$ 0
Data Entry Fee - Chancery Court	240	0	0	0	0	0
Judicial District Drug Program						
Drug Task Force Forfeitures and Seizures	500	0	3,000	0	0	0
Other Fines, Forfeitures, and Penalties						
Proceeds from Confiscated Property	42	0	351	0	0	0
Total Fines, Forfeitures, and Penalties	$ 35,542	$ 0	$ 3,351	$ 0	$ 0	$ 0
Charges for Current Services						
General Service Charges						
Tipping Fees	$ 0	$ 10,705	$ 0	$ 0	$ 0	$ 0
Patient Charges	457,310	0	0	209,978	0	0
Work Release Charges for Board	21,656	0	0	0	0	0
Other General Service Charges	15,924	0	0	0	0	0
Fees						
Recreation Fees	5,569	0	0	0	0	0
Copy Fees	604	0	0	0	0	0
Telephone Commissions	24,719	0	0	0	0	0
Vending Machine Collections	149	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	353	0
Data Processing Fee - Register	2,894	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	365	0	0	0	0	0
Total Charges for Current Services	$ 529,190	$ 10,705	$ 0	$ 209,978	$ 353	$ 0
Other Local Revenues						
Recurring Items						
Investment Income	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Sale of Materials and Supplies	0	0	0	0	0	19,900
Commissary Sales	107,256	0	0	0	0	0
Miscellaneous Refunds	14,044	0	600	6	0	3,505
Nonrecurring Items						
Insurance Recovery	2,464	0	0	0	0	0

(Continued)

Exhibit H-5

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

		Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
Other Local Revenues (Cont.)						
Nonrecurring Items (Cont.)						
Contributions & Gifts	$ 21,000	$ 0	$ 0	$ 0	$ 0	$ 0
Total Other Local Revenues	$ 144,764	$ 0	$ 600	$ 6	$ 0	$ 23,405
Fees Received from County Officials						
Fees-In-Lieu of Salary						
County Clerk	$ 48,690	$ 0	$ 0	$ 0	$ 0	$ 0
Circuit Court Clerk	2,936	0	0	0	0	0
General Sessions Court Clerk	34,770	0	0	0	0	0
Clerk and Master	12,395	0	0	0	0	0
Register	29,989	0	0	0	0	0
Sheriff	1,100	0	0	0	0	0
Trustee	95,685	0	0	0	0	0
Total Fees Received from County Officials	$ 225,565	$ 0	$ 0	$ 0	$ 0	$ 0
State of Tennessee						
General Government Grants						
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0
State Reappraisal Grant	2,632	0	0	0	0	0
Solid Waste Grants	0	3,891	0	0	0	0
Public Safety Grants						
Law Enforcement Training Programs	6,224	0	0	0	0	0
Public Works Grants						
Litter Program	28,578	0	0	0	0	0
Other State Revenues						
Income Tax	720	254	0	0	0	0
Beer Tax	17,212	0	0	0	0	0
Alcoholic Beverage Tax	9,588	0	0	0	0	0
State Revenue Sharing - T.V.A.	158,082	0	0	0	0	0
Emergency Hospital - Prisoners	73,868	0	0	0	0	0
Contracted Prisoner Boarding	1,016,820	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,286,431
Petroleum Special Tax	0	0	0	0	0	5,455

(Continued)

Exhibit H-5

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

		Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
State of Tennessee (Cont.)						
Other State Revenues (Cont.)						
Reappraisal Program Reimbursement	$ 878	$ 0	$ 0	$ 0	$ 0	$ 0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	102,941	0	0	0	0	0
Total State of Tennessee	$ 1,442,923	$ 4,145	$ 0	$ 0	$ 0	$ 1,291,886
Federal Government						
Federal Through State						
Appalachian Regional Commission	$ 8,360	$ 0	$ 0	$ 0	$ 0	$ 0
Community Development	0	0	0	0	0	0
Disaster Relief	0	0	0	0	0	8,414
Homeland Security Grants	217,415	0	0	0	0	0
Other Federal through State	205,289	0	0	0	0	0
Direct Federal Revenue						
Other Direct Federal Revenue	89,070	0	0	0	0	0
Total Federal Government	$ 520,134	$ 0	$ 0	$ 0	$ 0	$ 8,414
Other Governments and Citizens Groups						
Other Governments						
Contributions	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contracted Services	76,924	0	0	0	0	0
Other						
Other	1,200	0	0	0	0	0
Total Other Governments and Citizens Groups	$ 78,124	$ 0	$ 0	$ 0	$ 0	$ 0
Total	$ 3,712,443	$ 240,580	$ 3,951	$ 209,984	$ 353	$ 1,323,705

(Continued)

Exhibit H-5

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

	Debt Service Fund	Capital Projects Funds		
	General Debt Service	General Capital Projects	Other Capital Projects	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 12,830	$ 0	$ 0	$ 753,145
Trustee's Collections - Prior Year	1,018	0	0	23,821
Circuit/Clerk & Master Collections - Prior Years	3,449	0	0	17,240
Interest and Penalty	149	0	0	3,833
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	19
County Local Option Taxes				
Local Option Sales Tax	0	0	0	46,494
Wheel Tax	0	0	0	55,974
Litigation Tax - General	0	0	0	10,095
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	6,460
Business Tax	0	0	0	19,249
Other County Local Option Taxes	0	0	0	20,052
Statutory Local Taxes				
Bank Excise Tax	0	0	0	13,868
Wholesale Beer Tax	181	0	0	8,287
Interstate Telecommunications Tax	0	0	0	1,021
Total Local Taxes	$ 17,627	$ 0	$ 0	$ 979,558
Fines, Forfeitures, and Penalties				
Circuit Court				
Fines	$ 0	$ 0	$ 0	$ 5,574
Officers Costs	0	0	0	970
Drug Control Fines	0	0	0	1,689
Drug Court Fees	0	0	0	70
Data Entry Fee - Circuit Court	0	0	0	273
General Sessions Court				
Fines	0	0	0	15,697
Officers Costs	0	0	0	3,320
Drug Control Fines	0	0	0	5,378
Drug Court Fees	0	0	0	315
Data Entry Fee - General Sessions Court	0	0	0	1,074

(Continued)

Exhibit H-5

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

	Debt Service Fund	Capital Projects Funds		
	General Debt Service	General Capital Projects	Other Capital Projects	Total
Fines, Forfeitures, and Penalties (Cont.)				
Chancery Court				
Officers Costs	$ 0	$ 0	$ 0	$ 400
Data Entry Fee - Chancery Court	0	0	0	240
Judicial District Drug Program				
Drug Task Force Forfeitures and Seizures	0	0	0	3,500
Other Fines, Forfeitures, and Penalties				
Proceeds from Confiscated Property	0	0	0	393
Total Fines, Forfeitures, and Penalties	$ 0	$ 0	$ 0	$ 38,893
Charges for Current Services				
General Service Charges				
Tipping Fees	$ 0	$ 0	$ 0	$ 10,705
Patient Charges	0	0	0	667,288
Work Release Charges for Board	0	0	0	21,656
Other General Service Charges	0	0	0	15,924
Fees				
Recreation Fees	0	0	0	5,569
Copy Fees	0	0	0	604
Telephone Commissions	0	0	0	24,719
Vending Machine Collections	0	0	0	149
Constitutional Officers' Fees and Commissions	0	0	0	353
Data Processing Fee - Register	0	0	0	2,894
Sexual Offender Registration Fees - Sheriff	0	0	0	365
Total Charges for Current Services	$ 0	$ 0	$ 0	$ 750,226
Other Local Revenues				
Recurring Items				
Investment Income	$ 240,288	$ 0	$ 0	$ 240,288
Sale of Materials and Supplies	0	0	0	19,900
Commissary Sales	0	0	0	107,256
Miscellaneous Refunds	0	0	4,823	22,978
Nonrecurring Items				
Insurance Recovery	0	0	0	2,464

(Continued)

Exhibit H-5

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

	Debt Service Fund	Capital Projects Funds		
	General Debt Service	General Capital Projects	Other Capital Projects	Total
Other Local Revenues (Cont.)				
Nonrecurring Items (Cont.)				
Contributions & Gifts	$ 0	$ 0	$ 89,299	$ 110,299
Total Other Local Revenues	$ 240,288	$ 0	$ 94,122	$ 503,185
Fees Received from County Officials				
Fees-In-Lieu of Salary				
County Clerk	$ 0	$ 0	$ 0	$ 48,690
Circuit Court Clerk	0	0	0	2,936
General Sessions Court Clerk	0	0	0	34,770
Clerk and Master	0	0	0	12,395
Register	0	0	0	29,989
Sheriff	0	0	0	1,100
Trustee	0	0	0	95,685
Total Fees Received from County Officials	$ 0	$ 0	$ 0	$ 225,565
State of Tennessee				
General Government Grants				
Juvenile Services Program	$ 0	$ 0	$ 0	$ 9,000
State Reappraisal Grant	0	0	0	2,632
Solid Waste Grants	0	0	0	3,891
Public Safety Grants				
Law Enforcement Training Programs	0	0	0	6,224
Public Works Grants				
Litter Program	0	0	0	28,578
Other State Revenues				
Income Tax	31	0	0	1,005
Beer Tax	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	9,588
State Revenue Sharing - T.V.A.	0	0	0	158,082
Emergency Hospital - Prisoners	0	0	0	73,868
Contracted Prisoner Boarding	0	0	0	1,016,820
Gasoline and Motor Fuel Tax	0	0	0	1,286,431
Petroleum Special Tax	0	0	0	5,455

(Continued)

Exhibit H-5

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

	Debt Service Fund	Capital Projects Funds		
	General Debt Service	General Capital Projects	Other Capital Projects	Total
State of Tennessee (Cont.)				
Other State Revenues (Cont.)				
Reappraisal Program Reimbursement	$ 0	$ 0	$ 0	$ 878
Registrar's Salary Supplement	0	0	0	16,380
Other State Grants	0	0	0	102,941
Total State of Tennessee	$ 31	$ 0	$ 0	$ 2,738,985
Federal Government				
Federal Through State				
Appalachian Regional Commission	$ 0	$ 0	$ 0	$ 8,360
Community Development	0	58,170	0	58,170
Disaster Relief	0	0	0	8,414
Homeland Security Grants	0	0	0	217,415
Other Federal through State	0	0	0	205,289
Direct Federal Revenue				
Other Direct Federal Revenue	0	6,998	402,326	498,394
Total Federal Government	$ 0	$ 65,168	$ 402,326	$ 996,042
Other Governments and Citizens Groups				
Other Governments				
Contributions	$ 561,097	$ 0	$ 0	$ 561,097
Contracted Services	0	0	0	76,924
Other				
Other	708,223	0	0	709,423
Total Other Governments and Citizens Groups	$ 1,269,320	$ 0	$ 0	$ 1,347,444
Total	$ 1,527,266	$ 65,168	$ 496,448	$ 7,579,898

Exhibit H-6

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund		
General Government		
County Commission		
Board and Committee Members Fees	$ 11,000	
Social Security	842	
Audit Services	1,631	
Contributions	1,000	
Dues and Memberships	2,772	
Legal Notices, Recording, and Court Costs	1,469	
Travel	1,098	
Other Charges	3,496	
Total County Commission		$ 23,308
County Mayor/Executive		
County Official/Administrative Officer	$ 56,577	
Secretary(ies)	30,877	
Social Security	6,655	
Unemployment Compensation	98	
Communication	9,044	
Data Processing Services	6,516	
Dues and Memberships	70	
Operating Lease Payments	205	
Maintenance Agreements	475	
Postal Charges	3,128	
Travel	5,147	
Office Supplies	4,891	
Premiums on Corporate Surety Bonds	285	
Total County Mayor/Executive		123,968
County Attorney		
County Official/Administrative Officer	$ 15,000	
Social Security	1,147	
Total County Attorney		16,147
Election Commission		
County Official/Administrative Officer	$ 37,866	
Other Salaries & Wages	765	
Election Commission	5,550	
Election Workers	2,470	
Social Security	3,288	
Communication	1,214	
Data Processing Services	3,123	
Dues and Memberships	268	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
General Government (Cont.)		
Election Commission (Cont.)		
Legal Notices, Recording, and Court Costs	$ 1,102	
Maintenance & Repair Services - Equipment	446	
Postal Charges	1,131	
Printing, Stationery, and Forms	788	
Rentals	750	
Travel	2,731	
Other Contracted Services	460	
Data Processing Supplies	39	
Office Supplies	727	
Data Processing Equipment	762	
Voting Machines	84,700	
Total Election Commission		$ 148,180
Register of Deeds		
County Official/Administrative Officer	$ 44,548	
Clerical Personnel	16,308	
Social Security	4,656	
Unemployment Compensation	98	
Communication	1,837	
Data Processing Services	2,269	
Dues and Memberships	330	
Operating Lease Payments	1,971	
Postal Charges	500	
Office Supplies	611	
Premiums on Corporate Surety Bonds	100	
Total Register of Deeds		73,228
County Buildings		
Custodial Personnel	$ 108	
Social Security	8	
Unemployment Compensation	2	
Maintenance & Repair Services - Buildings	2,176	
Other Contracted Services	1,938	
Custodial Supplies	8,639	
Electricity	16,712	
Water and Sewer	2,685	
Other Supplies and Materials	4,336	
Total County Buildings		36,604

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Finance		
Property Assessor's Office		
County Official/Administrative Officer	$ 44,548	
Clerical Personnel	16,298	
Social Security	4,655	
Unemployment Compensation	98	
Audit Services	5,800	
Communication	1,268	
Data Processing Services	3,245	
Postal Charges	600	
Office Supplies	131	
Premiums on Corporate Surety Bonds	88	
Total Property Assessor's Office		$ 76,731
Reappraisal Program		
Clerical Personnel	$ 6,045	
Social Security	462	
Unemployment Compensation	83	
Contracts with Government Agencies	1,085	
Total Reappraisal Program		7,675
County Trustee's Office		
County Official/Administrative Officer	$ 44,548	
Clerical Personnel	16,561	
Social Security	4,675	
Unemployment Compensation	98	
Communication	3,123	
Data Processing Services	4,413	
Dues and Memberships	561	
Operating Lease Payments	1,258	
Legal Notices, Recording, and Court Costs	232	
Postal Charges	1,928	
Office Supplies	1,270	
Premiums on Corporate Surety Bonds	1,058	
Total County Trustee's Office		79,725
County Clerk's Office		
County Official/Administrative Officer	$ 44,548	
Clerical Personnel	37,139	
Other Per Diem & Fees	550	
Social Security	6,291	
Unemployment Compensation	209	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Finance (Cont.)		
County Clerk's Office (Cont.)		
Communication	$ 1,760	
Dues and Memberships	350	
Operating Lease Payments	1,869	
Postal Charges	418	
Travel	1,344	
Office Supplies	850	
Premiums on Corporate Surety Bonds	200	
Total County Clerk's Office		$ 95,528
Other Finance		
Trustee's Commission	$ 36,611	
Total Other Finance		36,611
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 44,548	
Clerical Personnel	20,560	
Jury and Witness Fees	6,021	
Social Security	4,981	
Unemployment Compensation	148	
Communication	2,224	
Dues and Memberships	1,178	
Operating Lease Payments	1,206	
Legal Notices, Recording, and Court Costs	190	
Maintenance & Repair Services - Office Equipment	441	
Postal Charges	400	
Office Supplies	3,401	
Premiums on Corporate Surety Bonds	100	
Total Circuit Court		85,398
General Sessions Court		
Judge(s)	$ 45,364	
Social Security	3,470	
Dues and Memberships	175	
Travel	1,176	
Total General Sessions Court		50,185
Chancery Court		
County Official/Administrative Officer	$ 44,548	
Clerical Personnel	18,133	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Chancery Court (Cont.)		
Social Security	$ 4,755	
Unemployment Compensation	114	
Communication	1,720	
Dues and Memberships	654	
Operating Lease Payments	1,243	
Maintenance & Repair Services - Office Equipment	400	
Postal Charges	500	
Office Supplies	1,373	
Premiums on Corporate Surety Bonds	175	
Total Chancery Court		$ 73,615
District Attorney General		
Other Contracted Services	$ 12,665	
Total District Attorney General		12,665
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 54,002	
Deputy(ies)	119,648	
Investigator(s)	26,715	
Guidance Personnel	3,386	
In-Service Training	6,373	
Social Security	16,063	
Unemployment Compensation	1,024	
Maintenance Agreements	34	
Maintenance & Repair Services - Vehicles	1,483	
Gasoline	41,480	
Law Enforcement Supplies	1,272	
Lubricants	793	
Tires and Tubes	3,881	
Uniforms	5,144	
Vehicle Parts	6,668	
Liability Insurance	41,277	
Premiums on Corporate Surety Bonds	4,525	
Vehicle and Equipment Insurance	34,883	
Other Charges	59	
Law Enforcement Equipment	23,148	
Total Sheriff's Department		391,858

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Public Safety (Cont.)		
Jail		
Accountants/Bookkeepers	$ 19,120	
Medical Personnel	20,580	
Dispatchers/Radio Operators	86,690	
Guards	239,922	
Clerical Personnel	17,842	
Cafeteria Personnel	18,677	
Custodial Personnel	11,639	
Social Security	31,678	
Unemployment Compensation	3,154	
Communication	14,059	
Operating Lease Payments	2,994	
Legal Notices, Recording, and Court Costs	84	
Maintenance & Repair Services - Buildings	23,327	
Maintenance & Repair Services - Equipment	2,046	
Medical and Dental Services	136,317	
Postal Charges	1,715	
Transportation - Other than Students	50	
Travel	11,569	
Other Contracted Services	6,174	
Custodial Supplies	18,446	
Drugs and Medical Supplies	9,826	
Electricity	60,102	
Food Preparation Supplies	519	
Food Supplies	168,386	
General Construction Materials	5,874	
Library Books/Media	125	
Office Supplies	3,523	
Water and Sewer	42,141	
Other Supplies and Materials	1,711	
Other Charges	5,335	
Total Jail		$ 963,625
Juvenile Services		
Youth Service Officer(s)	$ 10,609	
Social Security	812	
Unemployment Compensation	98	
Communication	665	
Travel	1,209	
Other Contracted Services	80,170	
Office Supplies	59	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Public Safety (Cont.)		
Juvenile Services (Cont.)		
Premiums on Corporate Surety Bonds	$ 100	
Total Juvenile Services		$ 93,722
Commissary		
Other Supplies and Materials	$ 12,567	
Other Charges	56,743	
Total Commissary		69,310
Civil Defense		
Other Salaries & Wages	$ 4,800	
Social Security	367	
Unemployment Compensation	67	
Communication	712	
Maintenance & Repair Services - Vehicles	934	
Postal Charges	14	
Travel	100	
Diesel Fuel	542	
Office Supplies	125	
Other Supplies and Materials	134	
Vehicle and Equipment Insurance	18,452	
Total Civil Defense		26,247
Other Emergency Management		
Travel	$ 2,655	
Other Supplies and Materials	20,533	
Other Equipment	161,786	
Total Other Emergency Management		184,974
County Coroner/Medical Examiner		
Supervisor/Director	$ 11,591	
Social Security	887	
Total County Coroner/Medical Examiner		12,478
Other Public Safety		
Road Signs	$ 1,635	
Total Other Public Safety		1,635
Public Health and Welfare		
Local Health Center		
Other Salaries & Wages	$ 6,568	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Local Health Center (Cont.)		
Social Security	$ 502	
Unemployment Compensation	47	
Legal Notices, Recording, and Court Costs	58	
Postal Charges	4	
Travel	1,160	
Other Supplies and Materials	3,528	
Other Equipment	444	
Total Local Health Center		$ 12,311
Ambulance/Emergency Medical Services		
Supervisor/Director	$ 39,368	
Medical Personnel	275,676	
Clerical Personnel	8,024	
Part-time Personnel	108,487	
Overtime Pay	19,586	
In-Service Training	1,820	
Social Security	34,635	
Unemployment Compensation	2,217	
Communication	3,580	
Dues and Memberships	1,307	
Operating Lease Payments	703	
Legal Notices, Recording, and Court Costs	65	
Licenses	1,300	
Maintenance Agreements	330	
Maintenance & Repair Services - Buildings	4,170	
Maintenance & Repair Services - Vehicles	5,072	
Medical and Dental Services	943	
Postal Charges	446	
Travel	2,000	
Disposal Fees	916	
Other Contracted Services	2,501	
Custodial Supplies	1,696	
Diesel Fuel	21,884	
Drugs and Medical Supplies	33,292	
Electricity	15,493	
Lubricants	733	
Office Supplies	1,467	
Tires and Tubes	4,592	
Uniforms	3,786	
Vehicle Parts	5,618	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Ambulance/Emergency Medical Services (Cont.)		
Water and Sewer	$ 3,097	
Other Supplies and Materials	2,766	
Vehicle and Equipment Insurance	15,196	
Communication Equipment	756	
Motor Vehicles	64,899	
Total Ambulance/Emergency Medical Services		$ 688,421
Alcohol and Drug Programs		
Investigator(s)	$ 3,303	
Social Security	253	
Unemployment Compensation	46	
Other Supplies and Materials	233	
Total Alcohol and Drug Programs		3,835
Crippled Children Services		
Contributions	$ 415	
Total Crippled Children Services		415
Other Local Health Services		
Assistant(s)	$ 16,464	
Medical Personnel	73,021	
Part-time Personnel	3,116	
Social Security	7,084	
Unemployment Compensation	264	
Travel	1,371	
Other Supplies and Materials	600	
Liability Insurance	1,021	
Total Other Local Health Services		102,941
Sanitation Management		
Guards	$ 21,847	
Clerical Personnel	2,400	
Other Salaries & Wages	300	
Social Security	1,826	
Unemployment Compensation	115	
Other Supplies and Materials	4,486	
Total Sanitation Management		30,974

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Social, Cultural, and Recreational Services		
Senior Citizens Assistance		
Contributions	$ 6,391	
Total Senior Citizens Assistance		$ 6,391
Libraries		
Librarians	$ 21,126	
Part-time Personnel	6,709	
Social Security	2,129	
Unemployment Compensation	192	
Communication	736	
Contributions	12,100	
Library Books/Media	1,137	
Total Libraries		44,129
Other Social, Cultural, and Recreational		
Supervisor/Director	$ 24,052	
Part-time Personnel	6,328	
Social Security	2,324	
Unemployment Compensation	187	
Communication	682	
Contributions	6,000	
Postal Charges	404	
Other Contracted Services	3,375	
Custodial Supplies	1,573	
Electricity	21,061	
Office Supplies	164	
Water and Sewer	4,838	
Other Supplies and Materials	5,354	
Refunds	50	
Total Other Social, Cultural, and Recreational		76,392
Agriculture & Natural Resources		
Agriculture Extension Service		
Communication	$ 1,807	
Operating Lease Payments	570	
Other Contracted Services	24,744	
Custodial Supplies	73	
Electricity	1,191	
Office Supplies	149	
Water and Sewer	1,083	
Office Equipment	1,320	
Total Agriculture Extension Service		30,937

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Agriculture & Natural Resources (Cont.)		
Soil Conservation		
Communication	$ 543	
Contributions	4,812	
Rentals	3,840	
Electricity	602	
Total Soil Conservation		$ 9,797
Other Operations		
Public Transportation		
Supervisor/Director	$ 20,871	
Bus Drivers	112,551	
Social Security	10,516	
Unemployment Compensation	802	
Dues and Memberships	524	
Legal Notices, Recording, and Court Costs	389	
Maintenance & Repair Services - Vehicles	7,893	
Travel	1,450	
Gasoline	28,864	
Lubricants	1,848	
Office Supplies	1,141	
Tires and Tubes	2,904	
Vehicle Parts	8,329	
Vehicle and Equipment Insurance	22,615	
Other Charges	903	
Motor Vehicles	19,586	
Total Public Transportation		241,186
Veterans' Services		
Other Salaries & Wages	$ 5,280	
Social Security	404	
Unemployment Compensation	74	
Communication	1,162	
Total Veterans' Services		6,920
Employee Benefits		
State Retirement	$ 16,464	
Total Employee Benefits		16,464
Principal on Debt		
General Government		
Principal on Notes	$ 20,650	

(Continued)

Exhibit H-6

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

General Fund (Cont.)			
Principal on Debt (Cont.)			
General Government (Cont.)			
Principal on Capital Leases	$ 34,333		
Total General Government		$ 54,983	
Interest on Debt			
General Government			
Interest on Notes	$ 1,575		
Interest on Capital Leases	4,398		
Total General Government		5,973	
Total General Fund			$ 4,015,486
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Sanitation Management			
Supervisor/Director	$ 16,254		
Truck Drivers	26,797		
Other Salaries & Wages	26,963		
Social Security	5,366		
Unemployment Compensation	487		
Contracts with Private Agencies	75,632		
Maintenance & Repair Services - Equipment	1,201		
Other Contracted Services	9,747		
Crushed Stone	2,627		
Diesel Fuel	17,880		
Electricity	2,523		
Lubricants	656		
Tires and Tubes	1,844		
Vehicle Parts	420		
Other Supplies and Materials	2,271		
Trustee's Commission	4,604		
Vehicle and Equipment Insurance	7,903		
Total Sanitation Management		$ 203,175	
Total Solid Waste/Sanitation Fund			203,175
Health Department Fund			
Public Health and Welfare			
Local Health Center			
Custodial Personnel	$ 6,095		
Social Security	466		

(Continued)

Exhibit H-6

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

Health Department Fund (Cont.)			
Public Health and Welfare (Cont.)			
Local Health Center (Cont.)			
Unemployment Compensation	$ 85		
Communication	4,609		
Operating Lease Payments	2,515		
Maintenance Agreements	597		
Maintenance & Repair Services - Buildings	16,648		
Maintenance & Repair Services - Equipment	153		
Pest Control	342		
Postal Charges	2,705		
Custodial Supplies	2,835		
Drugs and Medical Supplies	258		
Electricity	11,353		
Office Supplies	3,722		
Water and Sewer	1,474		
Other Supplies and Materials	90		
Building and Contents Insurance	1,602		
Other Charges	1,767		
Office Equipment	1,870		
Other Equipment	953		
Total Local Health Center		$ 60,139	
Total Health Department Fund			$ 60,139
Drug Control Fund			
Public Safety			
Drug Enforcement			
Contributions	$ 1,000		
Confidential Drug Enforcement Payments	1,700		
Trustee's Commission	6		
Total Drug Enforcement		$ 2,706	
Total Drug Control Fund			2,706
Other Special Revenue Fund			
Public Health and Welfare			
Other Local Health Services			
Supervisor/Director	$ 42,247		
Medical Personnel	70,836		
Clerical Personnel	23,076		
Other Salaries & Wages	26,974		
In-Service Training	40		

(Continued)

Exhibit H-6

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

Other Special Revenue Fund (Cont.)			
Public Health and Welfare (Cont.)			
Other Local Health Services (Cont.)			
Social Security	$ 12,435		
Unemployment Compensation	1,136		
Audit Services	2,500		
Communication	7,170		
Contributions	500		
Dues and Memberships	1,125		
Legal Notices, Recording, and Court Costs	21		
Medical and Dental Services	398		
Postal Charges	96		
Travel	14,745		
Other Contracted Services	13,000		
Drugs and Medical Supplies	5,739		
Electricity	1,881		
Office Supplies	4,637		
Water and Sewer	573		
Other Supplies and Materials	156		
Liability Insurance	375		
Refunds	375		
Other Charges	1,277		
Total Other Local Health Services		$ 231,312	
Total Other Special Revenue Fund			$ 231,312
Constitutional Officers - Fees Fund			
Administration of Justice			
General Sessions Court Clerk			
Constitutional Officers' Operating Expenses	$ 93		
Total General Sessions Court Clerk		$ 93	
Chancery Court			
Constitutional Officers' Operating Expenses	$ 260		
Total Chancery Court		260	
Total Constitutional Officers - Fees Fund			353
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 49,002		
Accountants/Bookkeepers	20,500		

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Administration (Cont.)		
Laborers	$ 299,125	
Overtime Pay	16,812	
Data Processing Services	4,438	
Office Supplies	2,091	
Utilities	10,321	
Total Administration		$ 402,289
Highway and Bridge Maintenance		
Contracts with Private Agencies	$ 219,266	
Asphalt - Hot Mix	130,662	
Crushed Stone	216,516	
Pipe - Metal	9,256	
Other Supplies and Materials	14,730	
Total Highway and Bridge Maintenance		590,430
Operation and Maintenance of Equipment		
Diesel Fuel	$ 48,196	
Equipment and Machinery Parts	24,710	
Gasoline	30,977	
Lubricants	1,780	
Tires and Tubes	11,059	
Total Operation and Maintenance of Equipment		116,722
Other Charges		
Dues and Memberships	$ 1,602	
Trustee's Commission	12,870	
Vehicle and Equipment Insurance	34,776	
Other Charges	7,772	
Total Other Charges		57,020
Employee Benefits		
Social Security	$ 29,498	
State Retirement	1,710	
Life Insurance	9,757	
Unemployment Compensation	3,392	
Other Fringe Benefits	5,418	
Workers' Compensation Insurance	31,606	
Total Employee Benefits		81,381

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Capital Outlay			
Operating Lease Payments	$ 1,798		
Highway Equipment	2,725		
Total Capital Outlay		$ 4,523	
Total Highway/Public Works Fund			$ 1,252,365
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Bonds	$ 271,135		
Principal on Other Loans	80,600		
Total General Government		$ 351,735	
Education			
Principal on Other Loans	$ 168,400		
Total Education		168,400	
Interest on Debt			
General Government			
Interest on Bonds	$ 339,057		
Interest on Other Loans	46,773		
Total General Government		385,830	
Education			
Interest on Other Loans	$ 380,330		
Total Education		380,330	
Other Debt Service			
General Government			
Trustee's Commission	$ 10,720		
Other Debt Service	9,118		
Total General Government		19,838	
Education			
Other Debt Service	$ 48,417		
Total Education		48,417	
Total General Debt Service Fund			1,354,550

(Continued)

Exhibit H-6

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

General Capital Projects Fund			
Capital Projects			
General Administration Projects			
Architects	$ 19,897		
Evaluation and Testing	1,500		
Total General Administration Projects		$ 21,397	
Education Capital Projects			
Contributions	$ 91,028		
Total Education Capital Projects		91,028	
Total General Capital Projects Fund			$ 112,425
Other Capital Projects Fund			
Capital Projects			
Public Health and Welfare Projects			
Building Construction	$ 130,534		
Total Public Health and Welfare Projects		$ 130,534	
Total Other Capital Projects Fund			130,534
Total Governmental Funds - Primary Government			$ 7,363,045

Exhibit H-7

Hancock County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 139,760
Total Cash Receipts	$ 139,760
Cash Disbursements	
Remittance of Revenues Collected	$ 138,362
Trustee's Commission	1,398
Total Cash Disbursements	$ 139,760
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2005	0
Cash Balance, June 30, 2006	$ 0

ANNUAL FINANCIAL REPORT

HANCOCK COUNTY SCHOOL DEPARTMENT

A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

PHILIP TOBY
DOUG SANDIDGE, CISA, CFE
State Auditors

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

HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Hancock County School Department
For the Year Ended June 30, 2006

Scope

We have audited the basic financial statements of the Hancock County School Department as of and for the year ended June 30, 2006.

Results

Our report on the Hancock County School Department's financial statements is unqualified.

Our audit resulted in one finding and recommendation, which we have reviewed with the Hancock County School Department management. The detailed finding and recommendation is included in the Single Audit Report.

Finding

The following is a summary of the audit finding:

OTHER FINDING

- County officials had not adopted a central system of accounting, budgeting, and purchasing.

INTRODUCTORY SECTION

Hancock County School Officials
June 30, 2006

Official

Michael Antrican, Director of Schools

Board of Education

David Jones, Chairman
Dennis Holt
Hugh Livesay
Larry Mullins
Carl Reed
Jeff Stapleton
James Trent

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

August 2, 2006

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department, a component unit of Hancock County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Hancock County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hancock County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department as of June 30, 2006, and the respective changes in financial position, thereof for the year

then ended, in conformity with accounting principles generally accepted in the United States of America.

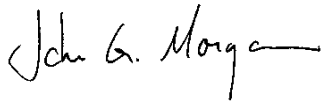
In accordance with Government Auditing Standards, we have also issued our report dated August 2, 2006, on our consideration of the Hancock County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 37 through 41 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Statement of Net Assets
Hancock County School Department
June 30, 2006

		Governmental Activities
ASSETS		
Cash	$	5,383
Equity in Pooled Cash and Investments		3,258,688
Accounts Receivable		467
Due from Other Governments		110,397
Property Taxes Receivable		643,784
Allowance for Uncollectible Property Taxes		(36,641)
Capital Assets:		
Assets Not Depreciated:		
Land		453,176
Construction in Progress		154,708
Assets Net of Accumulated Depreciation:		
Buildings and Improvements		12,748,650
Machinery and Equipment		464,237
Other Capital Assets		35,914
Total Assets	$	17,838,763
LIABILITIES		
Accounts Payable	$	59,980
Due to Primary Government		2,125
Other Current Liabilities		72,979
Deferred Revenue - Current Year Property Taxes		585,353
Noncurrent Liabilities:		
Due Within One Year		7,500
Due in More than One Year		45,000
Total Liabilities	$	772,937
NET ASSETS		
Invested in Capital Assets	$	13,856,685
Restricted for:		
State and Federal Assistance Programs		922,909
Unrestricted		2,286,232
Total Net Assets	$	17,065,826

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

Exhibit B

Hancock County, Tennessee
Statement of Activities
Hancock County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 4,682,559	0	$ 1,164,925	$ 91,028	$ (3,426,606)
Support Services	2,610,314	0	0	0	(2,610,314)
Operation of Non-Instructional Services	852,663	87,350	432,863	0	(332,450)
Debt Service	556,365	0	0	0	(556,365)
Total School Department	$ 8,701,901	$ 87,350	$ 1,597,788	$ 91,028	$ (6,925,735)

General Revenues:	
Taxes:	
Property Taxes Levied for General Purposes	$ 579,594
Local Option Sales Taxes	189,265
Other Local Taxes	63,059
Grants and Contributions Not Restricted to Specific Programs	6,074,489
Miscellaneous	47,846
Gain on Disposal of Capital Assets	1,130
Total General Revenues	$ 6,955,383
Change in Net Assets	$ 29,648
Net Assets, July 1, 2005	17,036,178
Net Assets, June 30, 2006	$ 17,065,826

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

Exhibit C-1

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Hancock County School Department
June 30, 2006

	Major Funds		Nonmajor Fund	
	General Purpose School	School Federal Projects	Central Cafeteria Fund	Total Govern-mental Funds
ASSETS				
Cash	$ 0	$ 0	$ 5,383	$ 5,383
Equity in Pooled Cash and Investments	3,105,769	57,083	95,836	3,258,688
Accounts Receivable	467	0	0	467
Due from Other Governments	89,144	21,253	0	110,397
Property Taxes Receivable	643,784	0	0	643,784
Allowance for Uncollectible Property Taxes	(36,641)	0	0	(36,641)
Total Assets	$ 3,802,523	$ 78,336	$ 101,219	$ 3,982,078
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 58,443	$ 1,537	$ 0	$ 59,980
Due to Primary Government	2,125	0	0	2,125
Other Current Liabilities	72,979	0	0	72,979
Deferred Revenue - Current Property Taxes	585,353	0	0	585,353
Deferred Revenue - Delinquent Property Taxes	21,066	0	0	21,066
Other Deferred Revenues	16,096	0	0	16,096
Total Liabilities	$ 756,062	$ 1,537	$ 0	$ 757,599
Fund Balances				
Reserved for Encumbrances	$ 186,874	$ 0	$ 0	$ 186,874
Other Local Education Reserves	18,955	0	0	18,955
Reserved for Career Ladder Program	504	0	0	504
Reserved for Basic Education Program	725,432	0	0	725,432
Reserved for Title I Grants to Local Education Agencies	0	6,609	0	6,609
Reserved for Special Education - Grants to States	0	70,190	0	70,190
Unreserved, Reported In:				
General Fund	2,114,696	0	0	2,114,696
Special Revenue Funds	0	0	101,219	101,219
Total Fund Balances	$ 3,046,461	$ 76,799	$ 101,219	$ 3,224,479
Total Liabilities and Fund Balances	$ 3,802,523	$ 78,336	$ 101,219	$ 3,982,078

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

Exhibit C-2

Hancock County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Hancock County School Department
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$	3,224,479
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	$ 453,176		
Add: construction in progress	154,708		
Add: building and improvements net of accumulated depreciation	12,748,650		
Add: machinery and equipment net of accumulated depreciation	464,237		
Add: other capital assets net of accumulated depreciation	35,914		13,856,685
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: judgments payable			(52,500)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			37,162
Net assets of governmental activities (Exhibit A)		$	17,065,826

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

Exhibit C-3

Hancock County, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Hancock County School Department
For the Year Ended June 30, 2006

	Major Funds		Nonmajor Fund	
	General Purpose School	School Federal Projects	Central Cafeteria Fund	Total Governmental Funds
Revenues				
Local Taxes	$ 831,961	$ 0	$ 0	$ 831,961
Licenses and Permits	598	0	0	598
Charges for Current Services	0	0	87,350	87,350
Other Local Revenues	65,942	0	4,301	70,243
State of Tennessee	6,060,263	0	23,919	6,084,182
Federal Government	65,264	1,065,118	380,927	1,511,309
Other Governments and Citizens Groups	119,283	0	0	119,283
Total Revenues	$ 7,143,311	$ 1,065,118	$ 496,497	$ 8,704,926
Expenditures				
Current:				
Instruction	$ 3,660,432	$ 692,241	$ 0	$ 4,352,673
Support Services	2,280,908	286,400	0	2,567,308
Operation of Non-Instructional Services	172,550	104,000	509,153	785,703
Capital Outlay	362,204	0	0	362,204
Debt Service:				
Principal on Debt	28,625	0	0	28,625
Interest on Debt	225	0	0	225
Other Debt Service	556,140	0	0	556,140
Total Expenditures	$ 7,061,084	$ 1,082,641	$ 509,153	$ 8,652,878
Excess (Deficiency) of Revenues Over Expenditures	$ 82,227	$ (17,523)	$ (12,656)	$ 52,048
Other Financing Sources (Uses)				
Transfers In	$ 4,718	$ 0	$ 0	$ 4,718
Transfers Out	0	(4,718)	0	(4,718)
Total Other Financing Sources (Uses)	$ 4,718	$ (4,718)	$ 0	$ 0
Net Change in Fund Balances	$ 86,945	$ (22,241)	$ (12,656)	$ 52,048
Fund Balance, July 1, 2005	2,959,516	99,040	113,875	3,172,431
Fund Balance, June 30, 2006	$ 3,046,461	$ 76,799	$ 101,219	$ 3,224,479

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

Exhibit C-4

Hancock County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Hancock County School Department
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)			$ 52,048
(1)	Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differs from depreciation is itemized as follows:		
	Add: capital assets purchased in the current period	$ 460,726	
	Less: current year depreciation expense	(517,857)	(57,131)
(2)	The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
	Add: gain on disposal of capital assets	$ 1,130	
	Less: proceeds received from disposals of capital assets	(2,550)	(1,420)
(3)	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Add: deferred delinquent property taxes and other deferred June 30, 2006	$ 37,162	
	Less: deferred delinquent property taxes and other deferred June 30, 2005	(37,136)	26
(4)	The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
	Add: principal payments on notes		28,625
(5)	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
	Change in judgments payable		7,500
Change in net assets of governmental activities (Exhibit B)			$ 29,648

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

HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hancock County School Department's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of the School Department:

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary or fiduciary funds to report.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the fund for payments to be made early in the following year.

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

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental funds:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds of Hancock County, the primary government, and the School Department. Each fund's portion of this pool is displayed on the balance sheets and the statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Debt Service Fund. Hancock County and the School Department have

adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.07 percent of the total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable

that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Capital Assets

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

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of five or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	20-40
Machinery and Equipment	5-12
Other Capital Assets	20

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Net Assets and Fund Equity

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

a. Invested in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
b. Restricted net assets – Consists of net assets with constraints placed on their 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.

On the government-wide statement of net assets (Exhibit A), the account Restricted for State and Federal Assistance Programs consists of various restrictions totaling $922,909, with the primary restrictions being for: State BEP nonclassroom funds ($725,432), and various federal assistance programs, primarily the special education program ($70,190) and the school lunch and breakfast program ($101,219).

As of June 30, 2006, Hancock County, had $12,016,600 in outstanding debt for capital purposes of the School Department. This debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

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 Hancock County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Hancock County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the Hancock County Commission in the Transportation major category (the legal level of control) of the General Purpose School Fund by $97,645. Such overexpenditures are a violation of state statutes. This resulted from the recognition of an encumbrance for school buses of $186,874. The encumbrance was recorded since the bid for the buses was awarded and management had committed to the purchase of the buses prior to June 30, 2006. However, the School Department did not amend its 2005-06 budget to reflect the bus purchases. Instead, these transactions were budgeted in the School Department's 2006-07 budget.

C. The Actual Fund Balance Exceeded the Estimated Beginning Fund Balance by a Significant Amount

The General Purpose School Fund's actual fund balance at July 1, 2005, was $2,959,516; however, the estimated fund balance reflected in the School Department's budget was $688,186. Therefore, the actual fund balance exceeded the estimated fund balance presented to the Hancock County Commission during the budget approval process by $2,271,330. Likewise, the actual fund balance in the Central Cafeteria Fund at July 1, 2005, was $113,875; however, the estimated fund reflected in the School Department's budget was $22,000. Therefore, the actual fund balance exceeded the estimated fund balance presented to the Hancock County Commission during the budget approval process by $91,875.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hancock County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, 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 on the balance sheets or statements of net assets 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	$ 408,176	$ 45,000	$ 0	$ 453,176
Construction in Progress	368,035	342,156	555,483	154,708
Total Capital Assets Not Depreciated	$ 776,211	$ 387,156	$ 555,483	$ 607,884

Governmental Activities (Cont.):

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Depreciated:				
Buildings and Improvements	$ 14,441,071	$ 555,483	$ 0	$ 14,996,554
Machinery and Equipment	1,008,081	37,215	47,300	997,996
Other Capital Assets	0	36,355	0	36,355
Total Capital Assets Depreciated	$ 15,449,152	$ 629,053	$ 47,300	$ 16,030,905
Less Accumulated Depreciation for:				
Buildings and Improvements	$ 1,860,810	$ 387,094	$ 0	$ 2,247,904
Machinery and and Equipment	449,317	130,322	45,880	533,759
Other Capital Assets	0	441	0	441
Total Accumulated Depreciation	$ 2,310,127	$ 517,857	$ 45,880	$ 2,782,104
Total Capital Assets Depreciated, Net	$ 13,139,025	$ 111,196	$ 1,420	$ 13,248,801
Governmental Activities Capital Assets, Net	$ 13,915,236	$ 498,352	$ 556,903	$ 13,856,685

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

Governmental Activities:	
Instruction	$ 387,094
Support Services	79,221
Operation of Non-Instructional Services	51,542
Total Depreciation Expense - Governmental Activities	$ 517,857

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government:	Component unit:	
General	General Purpose School	$ 2,125

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	$ 4,718
Total	$ 4,718

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.

D. Other Current Liabilities

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

E. Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	Notes	Claims and Judgments Payable
Balance, July 1, 2005	$ 28,625	$ 60,000
Deductions	(28,625)	(7,500)
Balance, June 30, 2006	$ 0	$ 52,500
Balance Due Within One Year	$ 0	$ 7,500

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	$	52,500
Less: Balance Due Within One Year		(7,500)
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	$	45,000

A judgment of $75,000 was assessed against the School Department related to a lawsuit filed by an employee for a work related injury. The judgment is to be paid over a ten-year period with interest of six percent. The remaining balance of the claims and judgments payable outstanding at June 30, 2006, will be retired from the General Purpose School Fund.

F. Commitments

The Board of Education has pledged, by resolution, $541,000 per year of the nonclassroom state Basic Education Program funding for the next 21 years to the primary government's General Debt Service Fund to provide funds for the retirement of debt issued for school purposes.

V. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, workers' compensation, health, and accident. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The 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 also participates in the Tennessee State Insurance System public entity risk pool as opposed to purchasing commercial health insurance. The department pays monthly or annual premiums for its insurance coverage. This pool is to be self-sustaining through member premiums.

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for

the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Hancock County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that the county will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits

they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Contingent Liabilities

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

D. Jointly Governed Organization

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

E. Retirement Commitments

Plan Description

Employees of Hancock County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members

joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hancock County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

SCHOOL TEACHERS

Plan Description

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

Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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. Copies of footnotes in PDF format can be accessed at http://www.treasury.state.tn.us/tcrs/Schools/.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hancock County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hancock County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were $231,327, $232,789, and $132,613, respectively, equal to the required contributions for each year.

F. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provide for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to reach or exceed $10,000.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit D-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hancock County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 831,961	$ 0	$ 0	$ 831,961	$ 798,000	$ 798,000	$ 33,961
Licenses and Permits	598	0	0	598	600	600	(2)
Other Local Revenues	65,942	0	0	65,942	28,864	47,764	18,178
State of Tennessee	6,060,263	0	0	6,060,263	5,811,872	6,023,507	36,756
Federal Government	65,264	0	0	65,264	52,764	68,229	(2,965)
Other Governments and Citizens Groups	119,283	0	0	119,283	0	27,500	91,783
Total Revenues	$ 7,143,311	$ 0	$ 0	$ 7,143,311	$ 6,692,100	$ 6,965,600	$ 177,711
Expenditures							
Instruction							
Regular Instruction Program	$ 2,679,547	$ 0	$ 0	$ 2,679,547	$ 2,787,566	$ 2,805,185	$ 125,638
Special Education Program	552,648	0	0	552,648	560,750	560,750	8,102
Vocational Education Program	408,112	0	0	408,112	387,520	421,020	12,908
Adult Education Program	20,125	0	0	20,125	3,563	28,659	8,534
Support Services							
Health Services	5,887	0	0	5,887	33,500	6,625	738
Other Student Support	191,684	0	0	191,684	185,698	196,353	4,669
Regular Instruction Program	297,510	0	0	297,510	318,800	326,551	29,041
Special Education Program	69,480	0	0	69,480	70,826	70,826	1,346
Vocational Education Program	62,316	0	0	62,316	63,091	63,091	775
Adult Programs	76,441	0	0	76,441	76,835	79,669	3,228
Board of Education	194,167	0	0	194,167	205,685	205,497	11,330
Director of Schools	106,628	0	0	106,628	112,282	112,292	5,664
Office of the Principal	229,036	0	0	229,036	229,637	229,637	601
Fiscal Services	60,901	0	0	60,901	68,882	68,882	7,981
Operation of Plant	391,860	0	0	391,860	413,227	413,227	21,367

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Support Services (Cont.)							
Maintenance of Plant	$ 83,726	$ 0	$ 0	$ 83,726	$ 83,905	$ 89,905	$ 6,179
Transportation	318,884	0	186,874	505,758	408,096	408,113	(97,645)
Central and Other	192,388	0	0	192,388	0	192,388	0
Operation of Non-Instructional Services							
Community Services	42,549	0	0	42,549	40,330	46,330	3,781
Early Childhood Education	130,001	0	0	130,001	130,000	130,001	0
Capital Outlay							
Regular Capital Outlay	362,204	(185,085)	0	177,119	629,185	652,646	475,527
Principal on Debt							
Education	28,625	0	0	28,625	29,908	28,628	3
Interest on Debt							
Education	225	0	0	225	50,303	1,280	1,055
Other Debt Service							
Education	556,140	0	0	556,140	490,697	558,868	2,728
Total Expenditures	$ 7,061,084	$ (185,085)	$ 186,874	$ 7,062,873	$ 7,380,286	$ 7,696,423	$ 633,550
Excess (Deficiency) of Revenues Over Expenditures	$ 82,227	$ 185,085	$ (186,874)	$ 80,438	$ (688,186)	$ (730,823)	$ 811,261
Other Financing Sources (Uses)							
Transfers In	$ 4,718	$ 0	$ 0	$ 4,718	$ 0	$ 0	$ 4,718
Total Other Financing Sources (Uses)	$ 4,718	$ 0	$ 0	$ 4,718	$ 0	$ 0	$ 4,718
Net Change in Fund Balance	$ 86,945	$ 185,085	$ (186,874)	$ 85,156	$ (688,186)	$ (730,823)	$ 815,979
Fund Balance, July 1, 2005	2,959,516	(185,085)	0	2,774,431	688,186	730,823	2,043,608
Fund Balance, June 30, 2006	$ 3,046,461	$ 0	$ (186,874)	$ 2,859,587	$ 0	$ 0	$ 2,859,587

Exhibit D-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hancock County School Department
School Federal Projects Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Federal Government	$ 1,065,118	$ 0	$ 1,065,118	$ 1,180,993	$ 1,218,597	$ (153,479)
Total Revenues	$ 1,065,118	$ 0	$ 1,065,118	$ 1,180,993	$ 1,218,597	$ (153,479)
Expenditures						
Instruction						
Regular Instruction Program	$ 443,050	$ 0	$ 443,050	$ 453,192	$ 467,602	$ 24,552
Special Education Program	202,882	0	202,882	311,449	332,417	129,535
Vocational Education Program	46,309	0	46,309	46,029	46,309	0
Support Services						
Other Student Support	21,653	0	21,653	14,850	25,819	4,166
Regular Instruction Program	246,549	(1,750)	244,799	271,419	249,943	5,144
Special Education Program	3,955	0	3,955	3,615	6,989	3,034
Vocational Education Program	387	0	387	600	387	0
Transportation	13,856	0	13,856	10,763	19,453	5,597
Central and Other	0	0	0	60,000	60,000	60,000
Operation of Non-Instructional Services						
Early Childhood Education	104,000	0	104,000	104,000	104,000	0
Total Expenditures	$ 1,082,641	$ (1,750)	$ 1,080,891	$ 1,275,917	$ 1,312,919	$ 232,028
Excess (Deficiency) of Revenues Over Expenditures	$ (17,523)	$ 1,750	$ (15,773)	$ (94,924)	$ (94,322)	$ 78,549
Other Financing Sources (Uses)						
Transfers In	$ 0	$ 0	$ 0	$ 54,632	$ 0	$ 0
Transfers Out	(4,718)	0	(4,718)	(58,748)	(4,718)	0
Total Other Financing Sources (Uses)	$ (4,718)	$ 0	$ (4,718)	$ (4,116)	$ (4,718)	$ 0
Net Change in Fund Balance	$ (22,241)	$ 1,750	$ (20,491)	$ (99,040)	$ (99,040)	$ 78,549
Fund Balance, July 1, 2005	99,040	(1,750)	97,290	99,040	99,040	(1,750)
Fund Balance, June 30, 2006	$ 76,799	$ 0	$ 76,799	$ 0	$ 0	$ 76,799

HANCOCK COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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 Hancock County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Hancock County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. EXPENDITURES EXCEEDED APPROPRIATION

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Transportation major category (the legal level of control) of the General Purpose School Fund by $97,645. Such overexpenditures are a violation of state statutes. This resulted from the recognition of an encumbrance for school buses totaling $186,874. The encumbrance was recorded since the bid for the buses was awarded and management had committed to the purchase of the buses prior to June 30, 2006. However, the School Department did not amend its 2005-06 budget to reflect the bus purchases. Instead, these transactions were budgeted in the School Department's 2006-07 budget.

C. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A SIGNIFICANT AMOUNT

The General Purpose School Fund's actual fund balance at July 1, 2005, was $2,959,516; however, the estimated fund balance reflected in the county's budget was $688,186. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by $2,271,330.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Fund

Special Revenue Fund

The Central Cafeteria Fund is used to account for the cafeteria operations in each school.

Exhibit E

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hancock County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 87,350	$ 83,000	$ 83,000	$ 4,350
Other Local Revenues	4,301	4,000	4,000	301
State of Tennessee	23,919	6,500	6,500	17,419
Federal Government	380,927	364,400	364,400	16,527
Total Revenues	$ 496,497	$ 457,900	$ 457,900	$ 38,597
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 509,153	$ 479,900	$ 520,698	$ 11,545
Total Expenditures	$ 509,153	$ 479,900	$ 520,698	$ 11,545
Excess (Deficiency) of Revenues Over Expenditures	$ (12,656)	$ (22,000)	$ (62,798)	$ 50,142
Net Change in Fund Balance	$ (12,656)	$ (22,000)	$ (62,798)	$ 50,142
Fund Balance, July 1, 2005	113,875	22,000	62,798	51,077
Fund Balance, June 30, 2006	$ 101,219	$ 0	$ 0	$ 101,219

MISCELLANEOUS SCHEDULES

Exhibit F-1

Hancock County, Tennessee
Schedule of Changes in Long-Term Notes
Hancock County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
Payable through General Purpose School Fund								
Buses	$ 117,000	2.75 %	8-4-03	6-30-06	$ 28,625	$ 0	$ 28,625	$ 0
Total Payable through General Purpose School Fund					$ 28,625	$ 0	$ 28,625	$ 0
Total Notes Payable					$ 28,625	$ 0	$ 28,625	$ 0

Exhibit F-2

Hancock County, Tennessee
Schedule of Transfers
Hancock County School Department
For the Year Ended June 30, 2006

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect cost	$ 4,718
Total Transfers			$ 4,718

Exhibit F-3

Hancock County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Hancock County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	$ 73,757 (1)	$ 100,000	Western Surety Company
Employee Blanket Bonds Public Employee Dishonesty - School Department			150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer's training supplement of $1,000.

Exhibit F-4

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Hancock County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 547,149	$ 0	$ 0	$ 547,149
Trustee's Collections - Prior Year	17,314	0	0	17,314
Circuit/Clerk & Master Collections - Prior Years	12,529	0	0	12,529
Interest and Penalty	2,785	0	0	2,785
Payments in-Lieu-of Taxes - T.V.A.	14	0	0	14
County Local Option Taxes				
Local Option Sales Tax	189,111	0	0	189,111
Wheel Tax	55,974	0	0	55,974
Statutory Local Taxes				
Wholesale Beer Tax	6,005	0	0	6,005
Interstate Telecommunications Tax	1,080	0	0	1,080
Total Local Taxes	$ 831,961	$ 0	$ 0	$ 831,961
Licenses and Permits				
Licenses				
Marriage Licenses	$ 598	$ 0	$ 0	$ 598
Total Licenses and Permits	$ 598	$ 0	$ 0	$ 598
Charges for Current Services				
Education Charges				
Receipts from Individual Schools	$ 0	$ 0	$ 87,350	$ 87,350
Total Charges for Current Services	$ 0	$ 0	$ 87,350	$ 87,350
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 4,301	$ 4,301
Miscellaneous Refunds	38,655	0	0	38,655
Nonrecurring Items				
Sale of Equipment	6,618	0	0	6,618
Damages Recovered from Individuals	822	0	0	822
Contributions & Gifts	19,847	0	0	19,847
Total Other Local Revenues	$ 65,942	$ 0	$ 4,301	$ 70,243
State of Tennessee				
State Education Funds				
Basic Education Program	$ 5,530,268	$ 0	$ 0	$ 5,530,268
School Food Service	0	0	23,919	23,919
Other State Education Funds	382,644	0	0	382,644
Career Ladder Program	95,629	0	0	95,629
Career Ladder - Extended Contract	51,086	0	0	51,086
Other State Revenues				
Income Tax	636	0	0	636
Total State of Tennessee	$ 6,060,263	$ 0	$ 23,919	$ 6,084,182
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 268,402	$ 268,402
Breakfast	0	0	101,426	101,426
USDA - Other	0	0	11,099	11,099
Adult Education State Grant Program	63,139	0	0	63,139
Vocational Education - Basic Grants to States	0	47,879	0	47,879
Title I Grants to Local Education Agencies	0	487,384	0	487,384
Innovative Education Program Strategies	0	35,687	0	35,687
Special Education - Grants to States	0	251,540	0	251,540

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Federal Government (Cont.)				
Federal Through State (Cont.)				
Special Education Preschool Grants	$ 0	$ 8,356	$ 0	$ 8,356
Eisenhower Professional Development State Grants	0	118,895	0	118,895
Other Federal through State	2,125	115,377	0	117,502
Total Federal Government	$ 65,264	$ 1,065,118	$ 380,927	$ 1,511,309
Other Governments and Citizens Groups				
Other Governments				
Contributions	$ 91,028	$ 0	$ 0	$ 91,028
Other				
Other	28,255	0	0	28,255
Total Other Governments and Citizens Groups	$ 119,283	$ 0	$ 0	$ 119,283
Total	$ 7,143,311	$ 1,065,118	$ 496,497	$ 8,704,926

Exhibit F-5

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Hancock County School Department
For the Year Ended June 30, 2006

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 2,069,769	
Career Ladder Program	55,000	
Career Ladder Extended Contracts	56,600	
Certified Substitute Teachers	244	
Non-certified Substitute Teachers	20,182	
Social Security	127,867	
State Retirement	119,245	
Medical Insurance	100,295	
Unemployment Compensation	8,419	
Employer Medicare	29,904	
Instructional Supplies and Materials	20,947	
Textbooks	71,075	
Total Regular Instruction Program		$ 2,679,547
Special Education Program		
Teachers	$ 437,537	
Career Ladder Program	10,000	
Educational Assistants	18,179	
Certified Substitute Teachers	160	
Non-certified Substitute Teachers	3,240	
Social Security	27,500	
State Retirement	23,648	
Medical Insurance	24,094	
Unemployment Compensation	1,859	
Employer Medicare	6,431	
Total Special Education Program		552,648
Vocational Education Program		
Teachers	$ 265,575	
Career Ladder Program	5,000	
Certified Substitute Teachers	140	
Non-certified Substitute Teachers	3,157	
Social Security	16,322	
State Retirement	14,883	
Medical Insurance	7,158	
Unemployment Compensation	1,046	
Employer Medicare	3,817	
T&I Construction Materials	90,926	
Other Charges	88	
Total Vocational Education Program		408,112

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)		
Instruction (Cont.)		
Adult Education Program		
Teachers	$ 15,615	
Social Security	965	
State Retirement	804	
Medical Insurance	43	
Unemployment Compensation	159	
Employer Medicare	226	
Other Supplies and Materials	751	
Other Charges	1,562	
Total Adult Education Program		$ 20,125
Support Services		
Health Services		
Other Contracted Services	$ 5,887	
Total Health Services		5,887
Other Student Support		
Career Ladder Program	$ 2,000	
Guidance Personnel	89,778	
School Resource Officer	16,888	
Other Salaries & Wages	59,395	
Social Security	9,961	
State Retirement	5,048	
Medical Insurance	5,039	
Unemployment Compensation	1,245	
Employer Medicare	2,330	
Total Other Student Support		191,684
Regular Instruction Program		
Supervisor/Director	$ 55,476	
Career Ladder Program	7,000	
Librarians	36,795	
Materials Supervisor	40,475	
Instructional Computer Personnel	37,191	
Other Salaries & Wages	45,499	
Social Security	13,280	
State Retirement	7,796	
Medical Insurance	7,166	
Unemployment Compensation	1,538	
Employer Medicare	3,106	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Regular Instruction Program (Cont.)		
Consultants	$ 3,000	
Maintenance & Repair Services - Equipment	15,401	
Travel	2,669	
Library Books/Media	1,536	
Periodicals	506	
Other Supplies and Materials	4,622	
Other Charges	14,454	
Total Regular Instruction Program		$ 297,510
Special Education Program		
Supervisor/Director	$ 54,276	
Career Ladder Program	3,000	
Social Security	3,141	
State Retirement	3,150	
Medical Insurance	5,039	
Unemployment Compensation	139	
Employer Medicare	735	
Total Special Education Program		69,480
Vocational Education Program		
Supervisor/Director	$ 51,426	
Career Ladder Program	1,000	
Social Security	3,084	
State Retirement	2,883	
Medical Insurance	2,120	
Unemployment Compensation	139	
Employer Medicare	721	
Travel	943	
Total Vocational Education Program		62,316
Adult Programs		
Supervisor/Director	$ 54,276	
Career Ladder Program	1,000	
Other Salaries & Wages	12,168	
Social Security	4,182	
State Retirement	3,040	
Unemployment Compensation	273	
Employer Medicare	978	
In Service/Staff Development	524	
Total Adult Programs		76,441

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Board of Education		
Board and Committee Members Fees	$ 8,650	
Social Security	471	
Unemployment Compensation	151	
Employer Medicare	110	
Audit Services	4,525	
Dues and Memberships	8,144	
Legal Services	15,410	
Travel	7,161	
Judgments	11,100	
Liability Insurance	49,005	
Premiums on Corporate Surety Bonds	350	
Trustee's Commission	29,478	
Workers' Compensation Insurance	24,768	
Other Charges	34,844	
Total Board of Education		$ 194,167
Director of Schools		
County Official/Administrative Officer	$ 73,757	
Social Security	4,263	
State Retirement	4,059	
Medical Insurance	5,039	
Unemployment Compensation	139	
Employer Medicare	997	
Other Fringe Benefits	1,375	
Communication	13,724	
Postal Charges	365	
Travel	2,910	
Total Director of Schools		106,628
Office of the Principal		
Principals	$ 114,510	
Career Ladder Program	2,000	
Assistant Principals	52,392	
Secretary(ies)	30,008	
Social Security	11,846	
State Retirement	9,290	
Medical Insurance	5,039	
Unemployment Compensation	806	
Employer Medicare	2,770	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Office of the Principal (Cont.)		
Travel	$ 375	
Total Office of the Principal		$ 229,036
Fiscal Services		
Accountants/Bookkeepers	$ 47,633	
Social Security	2,936	
Unemployment Compensation	217	
Employer Medicare	687	
Travel	335	
Other Contracted Services	5,654	
Office Supplies	1,589	
Other Supplies and Materials	1,850	
Total Fiscal Services		60,901
Operation of Plant		
Custodial Personnel	$ 88,140	
Social Security	5,609	
Unemployment Compensation	1,216	
Employer Medicare	1,312	
Maintenance & Repair Services - Equipment	4,543	
Disposal Fees	3,110	
Other Contracted Services	8,775	
Custodial Supplies	8,167	
Electricity	242,954	
Natural Gas	8,504	
Water and Sewer	19,530	
Total Operation of Plant		391,860
Maintenance of Plant		
Supervisor/Director	$ 13,292	
Social Security	865	
Unemployment Compensation	129	
Employer Medicare	202	
Maintenance & Repair Services - Buildings	29,312	
Maintenance & Repair Services - Equipment	38,738	
Other Contracted Services	1,143	
Other Supplies and Materials	45	
Total Maintenance of Plant		83,726

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Transportation		
Supervisor/Director	$ 20,000	
Mechanic(s)	8,216	
Bus Drivers	144,797	
Other Salaries & Wages	10,873	
Social Security	11,301	
State Retirement	598	
Medical Insurance	1,401	
Unemployment Compensation	2,332	
Employer Medicare	2,643	
Maintenance & Repair Services - Vehicles	29,213	
Travel	150	
Diesel Fuel	49,056	
Gasoline	24,550	
Tires and Tubes	6,627	
Other Charges	1,562	
Transportation Equipment	5,565	
Total Transportation		$ 318,884
Central and Other		
Supervisor/Director	$ 17,464	
Other Salaries & Wages	135,689	
Social Security	9,296	
State Retirement	5,145	
Medical Insurance	1,509	
Unemployment Compensation	608	
Employer Medicare	2,174	
Travel	498	
Other Supplies and Materials	20,005	
Total Central and Other		192,388
Operation of Non-Instructional Services		
Community Services		
Other Salaries & Wages	$ 25,216	
Social Security	1,440	
State Retirement	1,385	
Medical Insurance	2,356	
Unemployment Compensation	140	
Employer Medicare	337	
Travel	511	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Community Services (Cont.)			
Other Contracted Services	$ 6,278		
Instructional Supplies and Materials	2,928		
Other Supplies and Materials	1,958		
Total Community Services		$ 42,549	
Early Childhood Education			
Other Salaries & Wages	$ 113,090		
Social Security	6,958		
State Retirement	4,219		
Medical Insurance	1,886		
Unemployment Compensation	752		
Employer Medicare	1,627		
Other Supplies and Materials	1,200		
In Service/Staff Development	269		
Total Early Childhood Education		130,001	
Capital Outlay			
Regular Capital Outlay			
Other Contracted Services	$ 28,911		
Building Construction	128,863		
Building Improvements	32,275		
Land	45,000		
Other Capital Outlay	127,155		
Total Regular Capital Outlay		362,204	
Principal on Debt			
Education			
Principal on Notes	$ 28,625		
Total Education		28,625	
Interest on Debt			
Education			
Interest on Notes	$ 225		
Total Education		225	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 556,140		
Total Education		556,140	
Total General Purpose School Fund			$ 7,061,084

(Continued)

Exhibit F-5

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

School Federal Projects Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 295,570	
Educational Assistants	46,705	
Certified Substitute Teachers	340	
Non-certified Substitute Teachers	3,100	
Social Security	21,272	
State Retirement	16,256	
Medical Insurance	2,120	
Unemployment Compensation	1,689	
Employer Medicare	4,949	
Instructional Supplies and Materials	1,708	
Other Supplies and Materials	17,461	
Regular Instruction Equipment	31,880	
Total Regular Instruction Program		$ 443,050
Special Education Program		
Educational Assistants	$ 156,788	
Social Security	9,706	
Unemployment Compensation	2,199	
Employer Medicare	2,296	
Other Contracted Services	22,123	
Instructional Supplies and Materials	2,818	
Other Supplies and Materials	6,952	
Total Special Education Program		202,882
Vocational Education Program		
Educational Assistants	$ 15,314	
Social Security	922	
Unemployment Compensation	238	
Employer Medicare	202	
Instructional Supplies and Materials	3,455	
Other Charges	1,569	
Vocational Instruction Equipment	24,609	
Total Vocational Education Program		46,309
Support Services		
Other Student Support		
School Resource Officer	$ 4,200	
Social Security	260	
Employer Medicare	61	

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)		
Support Services (Cont.)		
Other Student Support (Cont.)		
Evaluation and Testing	$ 500	
Maintenance & Repair Services - Equipment	1,075	
Travel	4,722	
Other Contracted Services	5,000	
In Service/Staff Development	700	
Other Charges	5,135	
Total Other Student Support		$ 21,653
Regular Instruction Program		
Supervisor/Director	$ 43,606	
Secretary(ies)	16,800	
Clerical Personnel	16,900	
Other Salaries & Wages	49,380	
Social Security	7,673	
State Retirement	5,114	
Medical Insurance	1,904	
Unemployment Compensation	398	
Employer Medicare	1,794	
Maintenance & Repair Services - Equipment	1,592	
Travel	576	
Library Books/Media	3,807	
Other Supplies and Materials	6,856	
In Service/Staff Development	35,517	
Other Equipment	54,632	
Total Regular Instruction Program		246,549
Special Education Program		
Maintenance & Repair Services - Equipment	$ 581	
Travel	3,374	
Total Special Education Program		3,955
Vocational Education Program		
Travel	$ 387	
Total Vocational Education Program		387
Transportation		
Bus Drivers	$ 11,504	
Social Security	713	
Unemployment Compensation	126	

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Transportation (Cont.)			
Employer Medicare	$ 167		
Gasoline	1,346		
Total Transportation		$ 13,856	
Operation of Non-Instructional Services			
Early Childhood Education			
Supervisor/Director	$ 23,000		
Other Salaries & Wages	64,260		
Social Security	5,410		
State Retirement	1,265		
Unemployment Compensation	754		
Employer Medicare	1,265		
Travel	1,268		
Other Contracted Services	3,930		
Other Supplies and Materials	2,848		
Total Early Childhood Education		104,000	
Total School Federal Projects Fund			$ 1,082,641
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 46,026		
Cafeteria Personnel	123,898		
Social Security	10,516		
State Retirement	2,531		
Unemployment Compensation	1,657		
Employer Medicare	2,459		
Maintenance & Repair Services - Equipment	8,298		
Travel	2,073		
Other Contracted Services	5,397		
Food Supplies	300,367		
Other Supplies and Materials	4,413		
In Service/Staff Development	1,476		
Other Charges	42		
Total Food Service		$ 509,153	
Total Central Cafeteria Fund			509,153
Total Governmental Funds - Hancock County School Department			$ 8,652,878

SINGLE AUDIT REPORT

HANCOCK COUNTY, TENNESSEE

AND

HANCOCK COUNTY SCHOOL DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

JOEY BARNARD
PHILIP TOBY
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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

August 2, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hancock County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Hancock County's and the Hancock County School Department's basic financial statements and have issued our reports thereon dated August 2, 2006. Our report on the financial statements of Hancock County expressed an adverse opinion because the government-wide financial statements were not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hancock County School Department was unqualified. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's and the Hancock County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial

statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hancock County's and the Hancock County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03, 06.09, and 06.10.

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 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, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County's and the Hancock County School Department's statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.04(A), 06.05, 06.06, 06.07, and 06.08.

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

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

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/yu

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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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 2, 2006

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

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

Compliance

We have audited the compliance of Hancock County and the Hancock County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Hancock County's and Hancock County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Hancock County's and the Hancock County School Department's management. Our responsibility is to express an opinion on Hancock County's and the Hancock County School Department's compliance based on our audit.

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

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

As described in items 06.04(A) and 06.11 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting the compliance of Hancock County with the Health Care and Other Facilities program regarding procurement, suspension, and debarment, nor were we able to satisfy ourselves as to Hancock County's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Hancock County's compliance with the requirements of the Health Care and Other Facilities program regarding procurement, suspension, and debarment, Hancock County and the Hancock County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Hancock County's and the Hancock County School Department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.04(B) and 06.11.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over

compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 06.04(B) and 06.11 to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the each major fund and the aggregate remaining fund information of Hancock County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hancock County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated August 2, 2006. Our report on the financial statements of Hancock County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hancock County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/yu

Hancock County, Tennessee, and the Hancock County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	$ 6,998
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	28,017
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	101,427
National School Lunch Program	10.555	N/A	279,501
Total U.S. Department of Agriculture			$ 415,943
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-02-17	$ 58,170
Total U.S. Department of Housing and Urban Development			$ 58,170
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	GG-06-11936-00	$ 79,070
Total U.S. Department of Justice			$ 79,070
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	(3)	$ 104,068
Total U.S. Department of Transportation			$ 104,068
Appalachian Regional Commission:			
Passed-through Ohio Valley Regional Development Commission:			
Appalachian Regional Development	23.001	(2)	$ 8,360
Total Appalachian Regional Commission			$ 8,360
Federal Emergency Management Agency:			
Passed-through State Department of the Military:			
Public Assistance Grants	83.544	Z-03-015837-00	$ 8,414
Total Federal Emergency Management Agency			$ 8,414
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(2)	$ 63,139
Title I Grants to Local Educational Agencies	84.010	N/A	512,284
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	248,454
Special Education - Preschool Grants	84.173	N/A	7,034
Vocational Education - Basic Grants to States	84.048	N/A	47,879
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	13,502
Even Start - State Educational Agencies	84.213	(2)	104,000
State Grants for Innovative Programs	84.298	N/A	58,439
Education Technology State Grants	84.318	(2)	9,631
Rural Education	84.358	N/A	31,880
Improving Teacher Quality State Grants	84.367	N/A	54,632
Total U.S. Department of Education			$ 1,150,874

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State Office:			
Help America Vote Act Requirements Payments	90.401	Z-06-032949-00	$ 84,700
Total U.S. Election Assistance Commission			$ 84,700
U.S. Department of Health and Human Services:			
Direct Program:			
Health Care and Other Facilities	93.887	N/A	$ 402,326
Passed-through State Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	GG-06-11826-00	12,271
Total U.S. Department of Health and Human Services			$ 414,597
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	$ 217,413
Total U.S. Department of Homeland Security			$ 217,413
Total Expenditures of Federal Awards			$ 2,541,609

State Grants		Contract Number	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	28,578
Waste Tire Grant - State Department of Transportation	N/A	(2)	3,891
Adult Basic Education - State Department of Education	N/A	(2)	13,488
Families First Grant- State Department of Education	N/A	(2)	5,717
Families Resource Center Grant - State Department of Education	N/A	(2)	33,300
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	130,000
Safe Schools Act Grant - State Department of Education	N/A	(2)	7,752
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	192,387
Health Department Program - State Department of Health	N/A	Z-06-025963-02	102,941
State Reappraisal - Comptroller of the Treasury	N/A	(2)	2,632
Total State Grants			$ 529,686

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accural basis of accounting.
(2) Information not available.
(3) Z-06-027672-00: $102,184; GG-06-12356-00: $1,884
(4) Z-04-022448-00: $112,118; Z-05-025163-00: $105,297

Hancock County, Tennessee, and the Hancock County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, and the Hancock County School Department for the year ended June 30, 2005, which have not been corrected.

HANCOCK COUNTY

Finding Number	Page Number	Subject
05.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
05.02	15	A formal purchase order system had not been established
05.03	15	The office had purchasing deficiencies

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
05.09	19	Unidentified amounts from the former circuit and general sessions courts clerk were not remitted to the state as unclaimed property

OTHER FINDINGS

Finding Number	Page Number	Subject
05.12	21	A central system of accounting, budgeting, and purchasing was not adopted
05.13	21	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

HANCOCK COUNTY, TENNESSEE, AND THE
HANCOCK COUNTY SCHOOL DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Hancock County, and an unqualified opinion was issued on the financial statements of the Hancock County School Department.

2. The audit of the financial statements of Hancock County and the Hancock County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness in Hancock County. None of these conditions was considered to be a material weakness in the Hancock County School Department.

3. The audit disclosed four instances of noncompliance that are material to the financial statements of Hancock County.

4. The audit disclosed one reportable condition in internal control over major programs.

5. A qualified opinion was issued on compliance for major programs.

6. Our audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Health Care and Other Facilities Grant (CFDA No. 93.887) were determined to be major programs.

8. A threshold of $300,000 was used to distinguish between Type A and Type B federal programs.

9. Hancock County and the Hancock County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

HANCOCK COUNTY

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 06.02 **A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.03 **THE OFFICE HAD PURCHASING DEFICIENCIES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.04 **RECORDS WERE NOT MAINTAINED TO DOCUMENT COMPLIANCE WITH GRANT REQUIREMENTS**

(A. Material Noncompliance Under Government Auditing Standards and Under OMB Circular A-133; B. Internal Control – Material Weakness Under OMB Circular A-133)

During the year under examination, Hancock County was awarded a Health Care and Other Facilities grant totaling $491,032 from the U.S. Department of Health and Human Services. The financial records for the year ended June 30, 2006, reflected revenues of $402,326 for the reimbursement of purchases made during the prior year. Hancock County allowed Wellmont Health Systems to administer the grant. Our review of the Health Care and Other Facilities grant revealed the following deficiencies:

A. As reported in the prior year's audit in Finding 05.03(B), the county allowed Wellmont Health Systems, the hospital lessee, to make all purchases to equip the new hospital and forward the invoices to the County Mayor's Office for payment. The county did not solicit bids for these purchases nor require Wellmont Health Systems to provide any documentation that competitive bids were solicited. Section 5-14-204, Tennessee Code Annotated, provides for all purchases exceeding $5,000 to be made after public advertisement and solicitation of competitive bids. We have requested documentation of the process used by Wellmont Health Systems to select vendors and any method used to determine that the prices were competitive. However, as of the date of this report, no documentation related to the process used by Wellmont Health Systems has been forwarded to the County Mayor's Office. Part 3(I) of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement requires that local governments that are not subrecipients of states to use their own procurement procedures, provided that they conform to applicable federal law and regulations and standards identified in the A-102 Common Rule. Without documentation of the procurement process used by Wellmont Health Systems, we were unable to determine if the county had complied with applicable federal laws and regulations.

B. Also, part (I) of the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement prohibits non-federal entities from contracting with parties that are suspended or debarred or whose principals are suspended or debarred. Documentation was not maintained that either the county or Wellmont Health Systems had verified that the contracting parties were not suspended or debarred.

RECOMMENDATION

Records should be maintained to document compliance with all grant requirements. Hancock County should require all organizations administering grants on their behalf to file all documentation with the County Mayor's Office to ensure compliance with applicable laws and regulations.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Wellmont Health Systems used their standard procurement process which did not include a bid procedure acceptable with County Audit and the U.S. Office of Management and Budget (OMB). Hancock County will copy this letter and contact Wellmont purchasing to ensure future procurement is in compliance. Wellmont Health Systems did not comply with OMB Circular A-133 Compliance Supplement that prohibits non-federal entities from contracting with parties that are suspended or debarred through verification. Hancock County will copy this letter and contact Wellmont purchasing to ensure future procurement provides adequate verification.

FINDING 06.05 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Material Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

A. Expenditures exceeded total appropriations approved by the County Commission in the General Fund by $175,798. This over expenditure resulted primarily from expenditures exceeding appropriations in the Jail ($252,059) and Ambulance/Emergency Medical Services ($103,126) major appropriation categories (the legal level of control).

B. Expenditures exceeded total appropriations approved by the County Commission in the Drug Control Fund by $1,706.

Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 06.06 **UNIDENTIFIED AMOUNTS FROM THE FORMER CIRCUIT AND GENERAL SESSIONS COURTS CLERK WERE NOT REMITTED TO THE STATE AS UNCLAIMED PROPERTY**
(Material Noncompliance Under Government Auditing Standards)

The clerk did not remit unidentified funds to the state Treasurer's Office. Section 66-29-110, Tennessee Code Annotated, (TCA), provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office. At June 30, 2006, the clerk held unidentified funds of $58,613 and $42,790 in Circuit and General Sessions Courts, respectively, which were carried forward from the former clerk who left office August 31, 2002.

RECOMMENDATION

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

OFFICE OF PROPERTY ASSESSOR

FINDING 06.07 **ROLLBACK TAXES WERE NOT CALCULATED IN COMPLIANCE WITH STATE STATUTES**
(Noncompliance Under Government Auditing Standards)

Monitoring reports prepared by the Division of Property Assessments disclosed that rollback taxes were not calculated by the assessor for changes in use or ownership of greenbelt property which might result in the assessment of rollback taxes, as required by Section 67-5-1008(d)(1), Tennessee Code Annotated.

RECOMMENDATION

Rollback taxes should be calculated for all greenbelt property that had a change of use or ownership, as required by state statute.

FINDING 06.08 **IMPROVEMENT VALUES WERE NOT PRORATED IN COMPLIANCE WITH STATE STATUTES**
(Noncompliance Under Government Auditing Standards)

Monitoring reports prepared by the Division of Property Assessments disclosed that proration of values for improvements which were completed and ready for occupancy, and improvements that were moved, damaged, destroyed, or demolished after January 1 and

before September 1, were not made in accordance with Sections 67-5-603(a)(1) and 67-5-603(b)(1), Tennessee Code Annotated.

RECOMMENDATION

Improvement values should be prorated in compliance with state statutes.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.09 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING WAS NOT ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 06.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

PART III, FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Health and Human Services:					
Direct Program:					
Health Care and Other Facilities	06.11	93.887	Circular A-133, Compliance Supplement Part 3(I)	Material Noncompliance, see Finding No. 06.04(A); and Material Weakness in Internal Control, see Finding No. 06.04(B): Records Were Not Maintained to Document Compliance With Grant Requirements	$ 402,326

HANCOCK COUNTY, TENNESSEE, AND THE
HANCOCK COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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

County Mayor – Corrective Action Plan for Current-year Findings

FINDINGS 06.04 and 06.11

Contact Person: G. Greg Marion

Corrective action planned: (A) Wellmont Health Systems used their standard procurement process which did not include a bid procedure in compliance with the county's purchasing law and the U.S. Office of Management and Budget (OMB). Hancock County will copy this letter and contact Wellmont Health System's purchasing to ensure future procurement is in compliance.

(B) Wellmont Health Systems did not comply with OMB Circular A-133 Compliance Supplement that prohibits non-federal entities from contracting with parties that are suspended or debarred through verification. Hancock County will copy this letter and contact Wellmont Health System's purchasing to ensure future procurement provides adequate verification.

Anticipated completion date: 2006-07

County Mayor – Summary Schedule of Prior-Year Findings

FINDINGS 05.04 and 05.14

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