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

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2006

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

HARTSVILLE/TROUSDALE
COUNTY GOVERNMENT, TENNESSEE
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Audit Highlights

Annual Financial Report
Hartsville/Trousdale County Government, 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 Hartsville/Trousdale County Government as of and for the year ended June 30, 2006.

Results

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

Our audit resulted in 11 findings and recommendations, which we have reviewed with Hartsville/Trousdale County Government management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT

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

OFFICE OF COUNTY EXECUTIVE

- The actual fund balance of the General Fund at July 1, 2005, exceeded the estimated beginning fund balance presented to the County Commission by $300,561.
- Purchase orders were not issued for some required purchases. In some instances, invoices were not on file to support the purchases. Also, several invoices were paid without documentation that goods had been received or services had been rendered.
- Several expenditures were misclassified in the accounting records of the General Fund.
- The office maintained an inventory listing of county property; however, items on this list were not tagged or otherwise clearly identified as county property.
- The Office of Building Inspector did not issue prenumbered receipts for all collections and did not deposit funds collected within three days of receipt as required by state statutes.
- Numerous deficiencies noted in the administration of the Water and Sewer Department were: (1) some disbursements were not made by prenumbered checks; (2) inventories of

parts and supplies were not maintained; (3) capital assets records were deficient; (4) liability accounts were not properly maintained; (5) the department had purchasing deficiencies; and (6) duties were not segregated adequately.

OFFICE OF HIGHWAY SUPERINTENDENT

- A formal purchase order system had not been established.
- The office did not submit a road list to the County Commission which contained the required classification, width of each county road, and a summary of changes from the prior year as required by state statute.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Hartsville/Trousdale County Government Officials
June 30, 2006

Officials

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

Hartsville/Trousdale County Government Commissioners

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

Highway Commission

Jerry Clift, Chairman
Charles Beasley
James McCadden

Water and Sewerage Board

Pat Fergusson, Chairman
Henry Linville
Hattie McDonald
Dennis Oldham

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

September 1, 2006

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund, except for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 46, which collectively comprise a portion of the government's basic financial statements required by accounting principles generally accepted in the United States of America. We were also engaged to audit the financial statements of the Hartsville/Trousdale County Government Water and Sewer Fund, a major proprietary fund, as of and for the year ended June 30, 2006. These financial statements are the responsibility of Hartsville/Trousdale County Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-

type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hartsville/Trousdale County Government, Tennessee, as of June 30, 2006, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

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

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

Also, in our opinion, except for the financial statements of the Hartsville/Trousdale County Government Water and Sewer Fund (major fund) as noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the other major funds and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, as of June 30, 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 September 1, 2006, on our consideration of Hartsville/Trousdale County Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 49 through 53 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hartsville/Trousdale County Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education 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 Education Debt Service Fund, and the miscellaneous schedules, except for information presented for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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.

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

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Hartsville/Trousdale County Government, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds				Nonmajor Funds	
	General	Urban Services	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Equity in Pooled Cash and Investments	$ 1,725,096	$ 509,091	$ 251,694	$ 624,329	$ 674,132	$ 3,784,342
Accounts Receivable	6,013	16,540	0	0	13,711	36,264
Due from Other Governments	112,014	0	211,891	0	0	323,905
Due from Other Funds	10,411	0	0	0	0	10,411
Due from Component Units	2,320	0	0	0	0	2,320
Property Taxes Receivable	1,601,772	459,195	0	240,265	400,443	2,701,675
Allowance for Uncollectible Property Taxes	(72,769)	(10,485)	0	(10,915)	(18,192)	(112,361)
Total Assets	$ 3,384,857	$ 974,341	$ 463,585	$ 853,679	$ 1,070,094	$ 6,746,556
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 22,250	$ 1,653	$ 83,134	$ 0	$ 9,712	$ 116,749
Accrued Payroll	0	0	35,270	0	0	35,270
Retainage Payable	0	0	0	0	37,305	37,305
Due to State of Tennessee	0	0	1,064	0	0	1,064
Deferred Revenue - Current Property Taxes	1,441,839	407,158	0	216,276	360,459	2,425,732
Deferred Revenue - Delinquent Property Taxes	79,902	39,898	0	11,985	19,976	151,761
Other Deferred Revenues	57,418	8,232	103,994	0	0	169,644
Total Liabilities	$ 1,601,409	$ 456,941	$ 223,462	$ 228,261	$ 427,452	$ 2,937,525
Fund Balances						
Reserved for Encumbrances	$ 0	$ 0	$ 0	$ 0	$ 14,906	$ 14,906
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	7,482	7,482
Reserved for Alcohol and Drug Treatment	26,847	0	0	0	0	26,847
Reserved for Sexual Offender Registration	1,520	0	0	0	0	1,520
Reserved for Computer System - Register	12,802	0	0	0	0	12,802
Reserved for Automation Purposes - Circuit Court	1,854	0	0	0	0	1,854
Reserved for Automation Purposes - General Sessions Court	20,455	0	0	0	0	20,455
Reserved for Automation Purposes - Chancery Court	502	0	0	0	0	502

(Continued)

Exhibit A

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

	Major Funds				Nonmajor Funds	
	General	Urban Services	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Capital Outlay	$ 0	$ 0	$ 1,006	$ 0	$ 21,582	$ 22,588
Unreserved, Reported In:						
General Fund	1,719,468	0	0	0	0	1,719,468
Special Revenue Funds	0	517,400	239,117	0	231,429	987,946
Debt Service Funds	0	0	0	625,418	298,407	923,825
Capital Projects Funds	0	0	0	0	68,836	68,836
Total Fund Balances	$ 1,783,448	$ 517,400	$ 240,123	$ 625,418	$ 642,642	$ 3,809,031
Total Liabilities and Fund Balances	$ 3,384,857	$ 974,341	$ 463,585	$ 853,679	$ 1,070,094	$ 6,746,556

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

Exhibit B

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

	Major Funds				Nonmajor Funds	
	General	Urban Services	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 2,259,876	$ 495,918	$ 0	$ 613,877	$ 387,860	$ 3,757,531
Licenses and Permits	42,072	5,983	0	0	0	48,055
Fines, Forfeitures, and Penalties	71,642	0	0	0	36,037	107,679
Charges for Current Services	26,496	104,395	0	0	140,833	271,724
Other Local Revenues	441,622	0	12,818	22,230	83,339	560,009
Fees Received from County Officials	379,526	0	0	0	0	379,526
State of Tennessee	268,961	2,075	1,487,888	0	3,184	1,762,108
Federal Government	7,588	0	0	0	0	7,588
Other Governments and Citizens Groups	7,706	500	25,676	75,000	198,640	307,522
Total Revenues	$ 3,505,489	$ 608,871	$ 1,526,382	$ 711,107	$ 849,893	$ 7,201,742
Expenditures						
Current:						
General Government	$ 485,756	$ 0	$ 0	$ 0	$ 0	$ 485,756
Finance	265,950	0	0	0	0	265,950
Administration of Justice	255,997	0	0	0	16,772	272,769
Public Safety	1,360,629	231,013	0	0	7,836	1,599,478
Public Health and Welfare	339,854	133,890	0	0	367,801	841,545
Social, Cultural, and Recreational Services	156,166	2,710	0	0	0	158,876
Agricultural and Natural Resources	55,739	0	0	0	0	55,739
Other Operations	444,233	76,403	0	0	8,338	528,974
Highways	0	49,833	1,717,418	0	0	1,767,251
Debt Service:						
Principal on Debt	0	38,108	0	339,000	248,617	625,725
Interest on Debt	0	4,030	0	284,026	108,788	396,844
Other Debt Service	0	0	0	8,443	2,856	11,299
Capital Projects	3,228	0	0	0	593,836	597,064
Total Expenditures	$ 3,367,552	$ 535,987	$ 1,717,418	$ 631,469	$ 1,354,844	$ 7,607,270
Excess (Deficiency) of Revenues Over Expenditures	$ 137,937	$ 72,884	$ (191,036)	$ 79,638	$ (504,951)	$ (405,528)
Other Financing Sources (Uses)						
Other Loans Issued	$ 0	$ 0	$ 0	$ 0	$ 29,795	$ 29,795
Transfers In	0	0	0	0	33,000	33,000

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	
	General	Urban Services	Highway / Public Works	Education Debt Service	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses) (Cont.)						
Transfers Out	$ (33,000)	$ 0	$ 0	$ 0	$ 0	$ (33,000)
Total Other Financing Sources (Uses)	$ (33,000)	$ 0	$ 0	$ 0	$ 62,795	$ 29,795
Net Change in Fund Balances	$ 104,937	$ 72,884	$ (191,036)	$ 79,638	$ (442,156)	$ (375,733)
Fund Balance, July 1, 2005	1,678,511	444,516	431,159	545,780	1,084,798	4,184,764
Fund Balance, June 30, 2006	$ 1,783,448	$ 517,400	$ 240,123	$ 625,418	$ 642,642	$ 3,809,031

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

Exhibit C-1

Hartsville/Trousdale County Government, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2006

ASSETS

Current Assets:	
Cash	$
Restricted Cash:	
Customer Deposits	
Accounts Receivable (net of allowance for uncollectibles)	
Total Current Assets	$
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	$
Construction in Progress	
Other Capital Assets	
Total Noncurrent Assets	$
Total Assets	$

LIABILITIES

Current Liabilities:	
Accounts Payable	$
Payroll Deductions Payable	
Retainage Payable	
Due to State of Tennessee	
Customer Deposits Payable	
Revenue Bonds Payable (Current Portion)	
Total Current Liabilities	$
Noncurrent Liabilities:	
Revenue Bonds Payable	$
Total Noncurrent Liabilities	$
Total Liabilities	$

NET ASSETS

Invested in Capital Assets, Net of Related Debt	$
Unrestricted	
Total Net Assets	$

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

Exhibit C-2

Hartsville/Trousdale County Government, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Major Fund Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for Current Services	$ 1,281,906
Other Local Revenues	32,363
Total Operating Revenues	$ 1,314,269
Operating Expenses	
Other Public Health and Welfare	$ 1,630,172
Total Operating Expenses	$ 1,630,172
Operating Income (Loss)	$ (315,903)
Nonoperating Revenues (Expenses)	
Interest Expense	$ (54,000)
Grant Income	356,203
Interest Income	55,020
Total Nonoperating Revenues (Expenses)	$ 357,223
Net Income (Loss) Before Operating Transfers	$ 41,320
Changes in Net Assets	$ 41,320
Net Assets, July 1, 2005	8,903,202
Net Assets, June 30, 2006	$ 8,944,522

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

Exhibit C-3

Hartsville/Trousdale County Government, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

Cash Flows from Operating Activities	
Receipts from Customers and Users	$
Other Local Revenues	
Payments to Suppliers and Vendors	
Payments to Employees	
Net Cash Provided By (Used In) Operating Activities	$
Cash Flows from Noncapital Financing Activities	
Grants Received	$
Net Cash Provided By (Used In) Noncapital Financing Activities	$
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	$
Principal Paid on Revenue Bonds	
Interest Paid on Revenue Bonds	
Net Cash Provided By (Used In) Capital and Related Financing Activities	$
Cash Flows from Investing Activities	
Investment Income	$
Net Cash Provided By (Used In) Investing Activities	$
Net Increase (Decrease) in Cash	$
Cash, July 1, 2005	
Cash, June 30, 2006	$

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Income (Loss)	$
Adjustments to Reconcile Net Operating Income	
To Net Cash Provided By (Used In) Operating Activities:	
(Increase) Decrease in Accounts Receivable	
(Increase) Decrease in Prior Period Adjustment	
Increase (Decrease) in Accounts Payable	
Increase (Decrease) in Payroll Deductions Payable	
Increase (Decrease) in Contracts Payable	
Increase (Decrease) in Retainage Payable	
Increase (Decrease) in Due to State of Tennessee	
Increase (Decrease) in Customer Deposits	
Net Cash Provided By (Used In) Operating Activities	$

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

Exhibit D

Hartsville/Trousdale County Government, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

		Agency Funds
ASSETS		
Equity in Pooled Cash and Investments	$	444,102
Cash		392,492
Accounts Receivable		1,570
Due from Other Governments		20,000
Total Assets	$	858,164
LIABILITIES		
Accounts Payable	$	29,647
Cash Overdraft		1,072
Due to Litigants, Heirs, and Others		392,990
Due to Joint Venture		434,455
Total Liabilities	$	858,164

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

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

The Hartsville/Trousdale County Government is a public municipal corporation governed by an elected 20-member board. These financial statements present Hartsville/Trousdale County Government, the primary government.

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

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

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

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

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

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

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

Fund financial statements of Hartsville/Trousdale County Government are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Hartsville/Trousdale County Government reports only one proprietary fund, an enterprise fund. An emphasis is placed on major funds within the governmental and proprietary categories.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The 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 Hartsville/Trousdale County Government considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hartsville/Trousdale County Government considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

Hartsville/Trousdale County Government reports the following major governmental funds:

> **General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **Urban Services Fund** – This fund accounts for the financial activity for the Urban Services District.
>
> **Highway/Public Works Fund** – This fund accounts for transactions of the consolidated government's Highway Department.
>
> **Education Debt Service Fund** – This fund used to account for the accumulation of resources for, and the payment of education debt principal, interest, and related costs.

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

> **Water and Sewer Fund** – This fund accounts for transactions of the consolidated government's Water and Sewer Department.

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

> **Capital Projects Fund** – The Education Capital Projects Fund accounts for other loan proceeds used for construction of major educational capital facilities.
>
> **Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and state grants and other restricted revenues held for the benefit of the Fifteenth Judicial District Drug Task Force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector

guidance for their enterprise funds, subject to this same limitation. Hartsville/Trousdale County Government has elected not to follow subsequent private-sector guidance.

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

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on hand and demand deposits.

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

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

Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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 uncollected property taxes is equal to 2.28 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.

Most payables are disaggregated on the face of the financial statements. Current liabilities payable from restricted assets reflected in the proprietary fund represents deposits placed with the Water and Sewer Department by customers when service is initiated.

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

3. Restricted Assets

Certain resources set aside for the repayment of customer deposits are classified as restricted assets on the balance sheet of the Water and Sewer Fund because their use is limited by customer service agreements in place when water service commenced.

4. Capital Assets

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

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

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

5. Compensated Absences

Hartsville/Trousdale County Government permits employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to governmental employees upon separation of

service or upon request annually under certain provisions. Employees also may accumulate an unlimited number of sick leave days. The cost of vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave is required to be accrued when incurred in proprietary funds using the accrual basis of accounting. However, these amounts would be immaterial to the financial statements of Hartsville/Trousdale County Government. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

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

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Net Assets and Fund Equity

In the proprietary funds, equity is classified as net assets and displayed in three components:

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

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Executive, County Attorney, 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 consolidated government'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. Cash Overdraft

The Constitutional Officers – Agency Fund had a cash overdraft of $1,072 on June 30, 2006. This cash overdraft resulted from uncollected bad checks held in the Office of County Clerk at year-end. The overdraft should be liquidated

subsequent to year-end with funds collected from individuals responsible for the checks.

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

The General Fund's actual fund balance at July 1, 2005, was $1,678,511; however, the estimated fund balance reflected in the county's budget was $1,377,950. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by $300,561.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2006, Hartsville/Trousdale County Government had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	$ 247,074

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hartsville/Trousdale County Government has no investment policy that would further limit its investment choices. As of June 30, 2006, Hartsville/Trousdale County Government's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets of $14,912,738 and related accumulated depreciation of $6,975,032 are presented in the financial statements of the government's Water and Sewer Fund. As noted in the Findings and Questioned Costs section of this report, the Hartsville/Trousdale County Government does not maintain adequate records for capital assets and has no policy regarding capitalization and depreciation of its capital assets. Therefore, auditors could not verify these amounts.

C. Construction Commitments

At June 30, 2006, the General Capital Projects Fund had an uncompleted construction contract of approximately $14,906. Future expenditures of this project will be paid from available fund balance in this fund.

D. Interfund Receivables and Payables

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Highway/Public Works	$ 10,411

The receivable in the General Fund was in transit from the Highway Public Works Fund at June 30, 2006.

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government: General	Component unit: Hartsville/Trousdale County Government School Department: General Purpose School	$ 2,320

Interfund Transfers:

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

Transfers Out	Transfers In Nonmajor Governmental Fund
General Fund	$ 33,000
Total	$ 33,000

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.

E. Capital Leases

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

Future minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	$ 1,040
2008	360
Total Minimum Lease Payments	$ 1,400

F. Long-term Debt

Since Hartsville/Trousdale County Government is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Hartsville/Trousdale County Government is not presenting government-wide financial statements. Bonds payable are reported as a liability in the fund financial statements of the enterprise fund.

General Obligation Bonds, Notes, and Other Loans

The Hartsville/Trousdale County Government issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities renovation and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to 10 years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All general obligation bonds outstanding as of June 30, 2006, will be retired from the Urban Services Fund, and all capital outlay notes outstanding as of June 30, 2006, will be retired from the General Debt Service Fund. Other loans outstanding as of June 30, 2006, will be retired from the General Debt Service Fund and the Education 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
General Obligation Bonds	6.125 %	$ 217,000	$ 34,655
Capital Outlay Notes	4.21 to 5.47	1,204,000	713,000
Other Loans	Variable	11,455,359	9,311,159
Capital Leases	0	5,200	1,400

In prior years, Hartsville/Trousdale County Government entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Hartsville/Trousdale County Government $3,000,000 for the construction of a new middle school. This loan is repayable at a variable interest rate based on the daily London Interbank Offer Rate (LIBOR). In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2006, the variable interest rate was 3.62 percent, and other fees amounted to approximately .35 percent (letter of credit) and .08 percent (remarketing fee) of the outstanding loan principal. Fees on this loan also include a trustee fee of $100 per month.

Also, in prior years, Hartsville/Trousdale County Government entered into a second loan agreement with the Montgomery County Public Building Authority. This agreement provided for the authority to issue variable rate bonds of $8,500,000 and loan the proceeds to Hartville/Trousdale County Government on an as-needed basis for the construction of a new high school. This loan is repayable at a variable interest rate based on the daily LIBOR. In addition, the county pays various other fees (trustee, debt remarketing,

etc.) in connection with this loan. At June 30, 2006, the variable interest rate was 3.7 percent, and other fees amounted to approximately .45 percent (letter of credit) and .08 percent (remarketing fee) of the outstanding loan principal. Fees on this loan also include a trustee fee of $100 per month. As of June 30, 2006, Hartsville/Trousdale County Government had borrowed $8,455,359 of these loan proceeds.

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

Year Ending	Bonds		Notes	
June 30	Principal	Interest	Principal	Interest
2007	$ 17,109	$ 1,863	$ 69,000	$ 32,542
2008	17,546	800	74,000	29,400
2009	0	0	77,000	26,028
2010	0	0	80,000	22,522
2011	0	0	84,000	16,966
2012-2015	0	0	329,000	37,910
Total	$ 34,655	$ 2,663	$ 713,000	$ 165,368

Year Ending	Other Loan ($3,000,000)			
June 30	Principal	Interest	Other Fees	Total
2007	$ 148,288	$ 66,456	$ 9,094	$ 223,838
2008	155,243	61,088	8,456	224,787
2009	162,430	55,468	7,789	225,687
2010	170,000	49,588	7,090	226,678
2011	177,922	43,434	6,359	227,715
2012-2015	1,021,917	114,343	19,582	1,155,842
Total	$ 1,835,800	$ 390,377	$ 58,370	$ 2,284,547

Year Ending	Other Loan ($8,500,000)			
June 30	Principal	Interest	Other Fees	Total
2007	$ 351,000	$ 278,240	$ 41,056	$ 670,296
2008	365,000	265,253	39,196	669,449
2009	378,000	251,748	37,261	667,009
2010	392,000	237,762	35,258	665,020
2011	407,000	223,258	33,180	663,438
2012-2016	2,277,000	878,787	131,880	3,287,667
2017-2021	2,739,000	424,575	66,818	3,230,393
2022	566,359	22,607	4,438	593,404
Total	$ 7,475,359	$ 2,582,230	$ 389,087	$ 10,446,676

There is $298,407 available in the General Debt Service Fund and $625,418 available in the Education Debt Service Fund to service long-term debt. Bonded debt per capita amounted to $5, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to $1,422, 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:

	Bonds	Notes	Other Loans
Balance, July 1, 2005	$ 50,763	$ 871,450	$ 9,761,982
Additions	0	0	29,794
Deductions	(16,108)	(158,450)	(480,617)
Balance, June 30, 2006	$ 34,655	$ 713,000	$ 9,311,159
Balance Due Within One Year	$ 17,109	$ 69,000	$ 499,288

	Capital Leases	Landfill Closure/ Postclosure Care Cost
Balance, July 1, 2005	$ 2,440	$ 275,850
Additions	0	0
Deductions	(1,040)	(13,792)
Balance, June 30, 2006	$ 1,400	$ 262,058
Balance Due Within One Year	$ 1,040	$ 13,792

Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Hartsville/Trousdale County Government Water and Sewer Fund (enterprise fund)

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

Year Ending June 30	Bonds Principal	Bonds Interest
2007	$ 220,019	$ 45,453
2008	226,194	36,410
2009	237,361	26,999
2010	178,775	18,482
2011	4,728	13,884
2012-2016	26,895	66,165
2017-2021	33,251	59,809
2022-2026	41,109	51,951
2027-2031	50,823	42,237
2032-2036	62,832	30,228
2037-2041	77,679	15,381
2042-2043	31,521	1,249
Total	$ 1,191,187	$ 408,248

Bonded debt per capita amounted to $164, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the Hartsville/Trousdale County Government Water and Sewer Fund (enterprise fund) for the year ended June 30, 2006, was as follows:

Business-type Activities:

	Bonds
Balance, July 1, 2005	$ 1,400,120
Deductions	(208,933)
Balance, June 30, 2006	$ 1,191,187
Balance Due Within One Year	$ 220,019

IV. OTHER INFORMATION

A. Risk Management

Hartsville/Trousdale County Government is exposed to various risks related to general liability, property, casualty, and workers' compensation. Hartsville/Trousdale County Government is a member of the Local Government Property and Casualty Fund (LGPCF) and the Local

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

Hartsville/Trousdale County Government provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. State statute provides for the LGGIF 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 Hartsville/Trousdale County Government 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 Hartsville/Trousdale County Government 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. Hartsville/Trousdale County Government had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Hartsville/Trousdale County Government 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. Hartsville/Trousdale County Government was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Hartsville/Trousdale County Government will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

On August 31, 2006, Harold Gregory left the Office of County Clerk and was succeeded by Rita Crowder.

D. Contingent Liabilities

Hartsville/Trousdale County Government and several other Tennessee counties were named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Hartsville/Trousdale County Government facilities. During the year, this suit was settled and under terms of the settlement,

Hartsville/Trousdale County Government must make improvements to its facilities in order to be in compliance with the ADA. Engineers estimated the costs of these improvements to be approximately $115,000; however, the government is in on-going negotiations with officials as to the extent of the improvements necessary to bring the government into compliance with all ADA requirements.

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

E. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the government 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. The Hartsville/Trousdale County landfill was closed in January 1997. The Solid Waste/Sanitation Fund (special revenue fund) reports the postclosure care costs as expenditures in each period in which they are incurred. The $262,058 reported as landfill postclosure care liability at June 30, 2006, represents the net amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Fifteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fifteenth Judicial District and participating municipalities in the district. The Fifteenth Judicial District includes Jackson, Macon, Smith, Trousdale, and Wilson Counties. The DTF interlocal agreement was signed by the sheriffs of Hartsville/Trousdale County Government, Jackson County, Smith County, and the police chiefs of the cities of Carthage and Lafayette. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors that includes the district attorney general and the sheriffs and police chiefs of participating law enforcement agencies within each judicial district. Hartsville/Trousdale County Government made no contributions to the DTF for the year ended June 30, 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:

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

G. Retirement Commitments

Plan Description

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

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

Funding Policy

Hartsville/Trousdale County Government

Hartsville/Trousdale County Government requires employees to contribute five percent of earnable compensation. Hartsville/Trousdale County Government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 6.38 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hartsville/Trousdale County government is established and may be amended by the TCRS Board of Trustees.

Former City of Hartsville Employees

Hartsville/Trousdale County Government has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Hartsville/Trousdale County Government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 13.16 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hartsville/Trousdale County Government is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

Hartsville/Trousdale County Government

For the year ended June 30, 2006, Hartsville/Trousdale County Government's annual pension cost of $173,741 to TCRS was equal to Hartsville/Trousdale County Government's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hartsville/Trousdale County Government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 18 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	$173,741	100%	$0
6-30-05	178,016	100	0
6-30-04	127,656	100	0

Former City of Hartsville Employees

For the year ended June 30, 2006, Hartsville/Trousdale County Government's annual pension cost of $98,379 to TCRS was equal to Hartsville/Trousdale County Government's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post- retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hartsville/Trousdale County Government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	$98,379	100%	$0
6-30-05	88,845	100	0
6-30-04	46,648	100	0

Required Supplementary Information
Schedule of Funding Progress for Hartsville/Trousdale County Government

Hartsville/Trousdale County Government

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	$5,323	$5,646	$323	94.28%	$2,561	12.61%
6-30-01	4,802	5,170	368	92.88	2,054	17.92
6-30-99	4,233	4,374	141	96.78	1,841	7.66

Former City of Hartsville Employees

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	$3,231	$3,239	$8	99.75%	$689	1.16%
6-30-01	3,077	3,077	0	100.00	753	0.00
6-30-99	2,779	2,779	0	100.00	629	0.00

H. Other Post-employment Benefits

In addition to the retirement commitments described above, Hartsville/Trousdale County Government, Tennessee, provides post-retirement health care benefits, in accordance with provisions of the metropolitan charter, to employees who were employed by the Town of Hartsville before the governments were consolidated. Currently, three government retirees meet the eligibility requirements and are receiving benefits under this program as of June 30, 2006. The consolidated government makes a monthly payment of $37.50 as part of the Medicare Supplement Program for retirees for each of these three employees. Expenditures for post-retirement health care benefits are included in the government's annual budget. During the year, expenditures totaling $1,080 were recognized for post-employment health care.

I. Purchasing Laws

Office of Hartsville/Trousdale County Executive

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

Office of Highway Superintendent

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

Hartsville/Trousdale County Government, 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	$ 2,259,876	$ 2,117,520	$ 2,117,520	$ 142,356
Licenses and Permits	42,072	30,000	30,000	12,072
Fines, Forfeitures, and Penalties	71,642	48,100	48,100	23,542
Charges for Current Services	26,496	20,700	20,700	5,796
Other Local Revenues	441,622	351,300	351,300	90,322
Fees Received from County Officials	379,526	289,000	289,000	90,526
State of Tennessee	268,961	398,657	398,657	(129,696)
Federal Government	7,588	538,600	538,600	(531,012)
Other Governments and Citizens Groups	7,706	6,000	7,200	506
Total Revenues	$ 3,505,489	$ 3,799,877	$ 3,801,077	$ (295,588)
Expenditures				
General Government				
County Commission	$ 14,654	$ 24,755	$ 23,665	$ 9,011
Beer Board	40	200	200	160
County Mayor/Executive	168,155	180,800	180,800	12,645
County Attorney	14,111	15,500	15,500	1,389
Election Commission	51,570	58,098	58,098	6,528
Register of Deeds	71,617	75,197	75,197	3,580
Planning	56,399	59,004	59,004	2,605
County Buildings	109,210	141,160	141,160	31,950
Finance				
Property Assessor's Office	92,230	94,450	94,450	2,220
County Trustee's Office	90,374	93,051	93,051	2,677
County Clerk's Office	83,346	88,884	88,884	5,538
Administration of Justice				
Circuit Court	124,237	128,150	128,150	3,913
General Sessions Court	61,036	59,946	61,036	0
Chancery Court	56,840	61,020	61,020	4,180
Judicial Commissioners	13,884	15,060	15,060	1,176
Public Safety				
Sheriff's Department	634,606	734,765	729,749	95,143
Drug Enforcement	42,360	43,440	44,495	2,135
Administration of the Sexual Offender Registry	0	1,000	1,000	1,000
Jail	558,207	604,240	608,112	49,905
Workhouse	35,858	35,769	35,858	0
Juvenile Services	25,396	32,002	32,002	6,606
Fire Prevention and Control	40,923	41,000	41,000	77
Civil Defense	9,605	11,500	11,500	1,895
Other Emergency Management	18	30,000	30,000	29,982
Inspection and Regulation	5,736	5,881	5,881	145
County Coroner/Medical Examiner	7,920	17,000	17,000	9,080

(Continued)

Exhibit E-1

Trousdale 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				
Local Health Center	$ 31,585	$ 34,084	$ 34,084	$ 2,499
Rabies and Animal Control	8	8	8	0
Ambulance/Emergency Medical Services	261,804	261,804	261,804	0
Alcohol and Drug Programs	5,199	3,000	22,000	16,801
Other Local Health Services	0	10,871	10,871	10,871
Sanitation Education/Information	29,258	29,258	29,258	0
Other Public Health and Welfare	12,000	12,000	12,000	0
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	33,350	34,427	39,796	6,446
Libraries	60,652	63,765	64,965	4,313
Parks and Fair Boards	62,164	75,755	75,755	13,591
Agriculture & Natural Resources				
Agriculture Extension Service	43,624	46,958	46,958	3,334
Soil Conservation	12,115	12,115	12,115	0
Other Operations				
Other Economic and Community Development	47	500,000	500,000	499,953
Other Charges	429,391	495,225	495,225	65,834
Employee Benefits	3,462	10,000	10,000	6,538
Miscellaneous	11,333	11,333	11,333	0
Capital Projects				
Other General Government Projects	3,228	150,000	150,000	146,772
Total Expenditures	$ 3,367,552	$ 4,402,475	$ 4,428,044	$ 1,060,492
Excess (Deficiency) of Revenues Over Expenditures	$ 137,937	$ (602,598)	$ (626,967)	$ 764,904
Other Financing Sources (Uses)				
Transfers Out	$ (33,000)	$ 0	$ (33,000)	$ 0
Total Other Financing Sources (Uses)	$ (33,000)	$ 0	$ (33,000)	$ 0
Net Change in Fund Balance	$ 104,937	$ (602,598)	$ (659,967)	$ 764,904
Fund Balance, July 1, 2005	1,678,511	1,377,950	1,377,950	300,561
Fund Balance, June 30, 2006	$ 1,783,448	$ 775,352	$ 717,983	$ 1,065,465

Exhibit E-2

Hartsville/Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 495,918	$ 476,926	$ 476,926	$ 18,992
Licenses and Permits	5,983	5,000	5,000	983
Charges for Current Services	104,395	90,000	90,000	14,395
State of Tennessee	2,075	2,244	2,244	(169)
Other Governments and Citizens Groups	500	500	500	0
Total Revenues	$ 608,871	$ 574,670	$ 574,670	$ 34,201
Expenditures				
Public Safety				
Sheriff's Department	$ 228,534	$ 241,033	$ 241,033	$ 12,499
Fire Prevention and Control	2,479	2,600	2,600	121
Public Health and Welfare				
Rabies and Animal Control	8,652	14,855	14,855	6,203
Waste Pickup	125,238	154,241	154,241	29,003
Social, Cultural, and Recreational Services				
Other Social, Cultural, and Recreational	2,710	5,000	5,000	2,290
Other Operations				
Other Charges	73,263	90,950	90,950	17,687
Employee Benefits	3,140	8,000	8,000	4,860
Highways				
Highway and Bridge Maintenance	49,833	50,000	50,000	167
Principal on Debt				
General Government	38,108	38,108	38,108	0
Interest on Debt				
General Government	4,030	4,030	4,030	0
Capital Projects				
General Administration Projects	0	20,000	20,000	20,000
Total Expenditures	$ 535,987	$ 628,817	$ 628,817	$ 92,830
Excess (Deficiency) of Revenues Over Expenditures	$ 72,884	$ (54,147)	$ (54,147)	$ 127,031
Net Change in Fund Balance	$ 72,884	$ (54,147)	$ (54,147)	$ 127,031
Fund Balance, July 1, 2005	444,516	411,466	411,466	33,050
Fund Balance, June 30, 2006	$ 517,400	$ 357,319	$ 357,319	$ 160,081

Exhibit E-3

Hartsville/Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 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						
Other Local Revenues	$ 12,818	$ 0	$ 12,818	$ 3,307	$ 8,300	$ 4,518
State of Tennessee	1,487,888	0	1,487,888	1,467,200	1,511,875	(23,987)
Other Governments and Citizens Groups	25,676	0	25,676	0	0	25,676
Total Revenues	$ 1,526,382	$ 0	$ 1,526,382	$ 1,470,507	$ 1,520,175	$ 6,207
Expenditures						
Highways						
Administration	$ 108,284	$ 0	$ 108,284	$ 112,767	$ 112,767	$ 4,483
Highway and Bridge Maintenance	882,675	0	882,675	874,770	900,445	17,770
Operation and Maintenance of Equipment	163,737	0	163,737	184,310	202,280	38,543
Other Charges	141,293	0	141,293	145,620	144,243	2,950
Employee Benefits	57,828	0	57,828	60,880	58,480	652
Capital Outlay	363,601	(238,196)	125,405	375,366	385,166	259,761
Total Expenditures	$ 1,717,418	$ (238,196)	$ 1,479,222	$ 1,753,713	$ 1,803,381	$ 324,159
Excess (Deficiency) of Revenues Over Expenditures	$ (191,036)	$ 238,196	$ 47,160	$ (283,206)	$ (283,206)	$ 330,366
Net Change in Fund Balance	$ (191,036)	$ 238,196	$ 47,160	$ (283,206)	$ (283,206)	$ 330,366
Fund Balance, July 1, 2005	431,159	(238,196)	192,963	336,289	336,289	(143,326)
Fund Balance, June 30, 2006	$ 240,123	$ 0	$ 240,123	$ 53,083	$ 53,083	$ 187,040

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Executive, County Attorney, 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 government's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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

The General Fund's actual fund balance at July 1, 2005, was $1,678,511; however, the estimated fund balance reflected in the government's budget was $1,377,950. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by $300,561.

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.

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

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

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

Debt Service Fund

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

General Debt Service 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.

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for funds used for construction of major capital facilities.

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

Exhibit F-1

Hartsville/Trousdale County Government, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			
	Solid Waste / Sanitation	Drug Control	District Attorney General	Total	General Debt Service	General Capital Projects	Education Capital Projects	Total	Total Nonmajor Governmental Funds
ASSETS									
Equity in Pooled Cash and Investments	$ 200,386	$ 53,224	$ 1,749	$ 255,359	$ 297,726	$ 118,551	$ 2,496	$ 121,047	$ 674,132
Accounts Receivable	13,711	0	0	13,711	0	0	0	0	13,711
Property Taxes Receivable	250,277	0	0	250,277	150,166	0	0	0	400,443
Allowance for Uncollectible Property Taxes	(11,370)	0	0	(11,370)	(6,822)	0	0	0	(18,192)
Total Assets	$ 453,004	$ 53,224	$ 1,749	$ 507,977	$ 441,070	$ 118,551	$ 2,496	$ 121,047	$ 1,070,094
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts Payable	$ 9,712	$ 0	$ 0	$ 9,712	$ 0	$ 0	$ 0	$ 0	$ 9,712
Retainage Payable	0	0	0	0	0	37,305	0	37,305	37,305
Deferred Revenue - Current Property Taxes	225,287	0	0	225,287	135,172	0	0	0	360,459
Deferred Revenue - Delinquent Property Taxes	12,485	0	0	12,485	7,491	0	0	0	19,976
Total Liabilities	$ 247,484	$ 0	$ 0	$ 247,484	$ 142,663	$ 37,305	$ 0	$ 37,305	$ 427,452
Fund Balances									
Reserved for Encumbrances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 14,906	$ 0	$ 14,906	$ 14,906
Reserved for Purchase of Electronic Fingerprint Imaging	0	7,482	0	7,482	0	0	0	0	7,482
Reserved for Capital Outlay	21,582	0	0	21,582	0	0	0	0	21,582
Unreserved	183,938	45,742	1,749	231,429	298,407	66,340	2,496	68,836	598,672
Total Fund Balances	$ 205,520	$ 53,224	$ 1,749	$ 260,493	$ 298,407	$ 81,246	$ 2,496	$ 83,742	$ 642,642
Total Liabilities and Fund Balances	$ 453,004	$ 53,224	$ 1,749	$ 507,977	$ 441,070	$ 118,551	$ 2,496	$ 121,047	$ 1,070,094

Exhibit F-2

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			
	Solid Waste / Sanitation	Drug Control	District Attorney General	Total	General Debt Service	General Capital Projects	Education Capital Projects	Total	Total Nonmajor Governmental Funds
Revenues									
Local Taxes	$ 237,533	$ 0	$ 0	$ 237,533	$ 150,327	$ 0	$ 0	$ 0	$ 387,860
Fines, Forfeitures, and Penalties	0	23,434	12,603	36,037	0	0	0	0	36,037
Charges for Current Services	140,833	0	0	140,833	0	0	0	0	140,833
Other Local Revenues	14,084	116	872	15,072	0	68,134	134	68,267	83,340
State of Tennessee	3,184	0	0	3,184	0	0	0	0	3,184
Other Governments and Citizens Groups	0	0	0	0	170,000	28,640	0	28,640	198,640
Total Revenues	$ 395,634	$ 23,550	$ 13,475	$ 432,659	$ 320,327	$ 96,774	$ 134	$ 96,908	$ 849,894
Expenditures									
Current:									
Administration of Justice	$ 0	$ 0	$ 16,772	$ 16,772	$ 0	$ 0	$ 0	$ 0	$ 16,772
Public Safety	0	7,836	0	7,836	0	0	0	0	7,836
Public Health and Welfare	367,801	0	0	367,801	0	0	0	0	367,801
Other Operations	8,338	0	0	8,338	0	0	0	0	8,338
Debt Service:									
Principal on Debt	0	0	0	0	248,617	0	0	0	248,617
Interest on Debt	0	0	0	0	108,788	0	0	0	108,788
Other Debt Service	0	0	0	0	2,856	0	0	0	2,856
Capital Projects	0	0	0	0	0	564,021	29,815	593,836	593,836
Total Expenditures	$ 376,139	$ 7,836	$ 16,772	$ 400,747	$ 360,261	$ 564,021	$ 29,815	$ 593,836	$ 1,354,844
Excess (Deficiency) of Revenues Over Expenditures	$ 19,495	$ 15,714	$ (3,297)	$ 31,912	$ (39,934)	$ (467,247)	$ (29,682)	$ (496,929)	$ (504,951)
Other Financing Sources (Uses)									
Other Loans Issued	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 29,794	$ 29,794	$ 29,794
Transfers In	0	0	0	0	0	33,000	0	33,000	33,000
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 33,000	$ 29,794	$ 62,794	$ 62,794
Net Change in Fund Balances	$ 19,495	$ 15,714	$ (3,297)	$ 31,912	$ (39,934)	$ (434,247)	$ 113	$ (434,134)	$ (442,156)
Fund Balance, July 1, 2005	186,025	37,510	5,046	228,581	338,341	515,493	2,383	517,876	1,084,798
Fund Balance, June 30, 2006	$ 205,520	$ 53,224	$ 1,749	$ 260,493	$ 298,407	$ 81,246	$ 2,496	$ 83,742	$ 642,642

Exhibit F-3

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 237,533	$ 227,500	$ 227,500	$ 10,033
Charges for Current Services	140,833	80,000	132,368	8,465
Other Local Revenues	14,084	7,000	7,000	7,084
State of Tennessee	3,184	4,000	4,000	(816)
Total Revenues	$ 395,634	$ 318,500	$ 370,868	$ 24,766
Expenditures				
Public Health and Welfare				
Convenience Centers	$ 233,415	$ 166,026	$ 232,694	$ (721)
Other Waste Disposal	129,179	145,000	145,000	15,821
Postclosure Care Costs	5,207	14,500	14,500	9,293
Other Operations				
Other Charges	8,338	9,500	9,500	1,162
Total Expenditures	$ 376,139	$ 335,026	$ 401,694	$ 25,555
Excess (Deficiency) of Revenues Over Expenditures	$ 19,495	$ (16,526)	$ (30,826)	$ 50,321
Net Change in Fund Balance	$ 19,495	$ (16,526)	$ (30,826)	$ 50,321
Fund Balance, July 1, 2005	186,025	167,497	167,497	18,528
Fund Balance, June 30, 2006	$ 205,520	$ 150,971	$ 136,671	$ 68,849

Exhibit F-4

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 23,434	$ 10,500	$ 10,500	$ 12,934
Other Local Revenues	116	0	0	116
Total Revenues	$ 23,550	$ 10,500	$ 10,500	$ 13,050
Expenditures				
Public Safety				
Drug Enforcement	$ 7,836	$ 5,250	$ 30,250	$ 22,414
Total Expenditures	$ 7,836	$ 5,250	$ 30,250	$ 22,414
Excess (Deficiency) of Revenues Over Expenditures	$ 15,714	$ 5,250	$ (19,750)	$ 35,464
Net Change in Fund Balance	$ 15,714	$ 5,250	$ (19,750)	$ 35,464
Fund Balance, July 1, 2005	37,510	32,933	32,933	4,577
Fund Balance, June 30, 2006	$ 53,224	$ 38,183	$ 13,183	$ 40,041

Exhibit F-5

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 150,327	$ 144,580	$ 144,580	$ 5,747
Other Governments and Citizens Groups	170,000	170,000	170,000	0
Total Revenues	$ 320,327	$ 314,580	$ 314,580	$ 5,747
Expenditures				
Principal on Debt				
General Government	$ 107,000	$ 107,000	$ 107,000	$ 0
Education	141,617	141,700	141,700	83
Interest on Debt				
General Government	34,779	34,779	34,779	0
Education	74,009	92,152	92,152	18,143
Other Debt Service				
General Government	2,856	6,000	6,000	3,144
Education	0	1,000	1,000	1,000
Total Expenditures	$ 360,261	$ 382,631	$ 382,631	$ 22,370
Excess (Deficiency) of Revenues Over Expenditures	$ (39,934)	$ (68,051)	$ (68,051)	$ 28,117
Net Change in Fund Balance	$ (39,934)	$ (68,051)	$ (68,051)	$ 28,117
Fund Balance, July 1, 2005	338,341	328,801	328,801	9,540
Fund Balance, June 30, 2006	$ 298,407	$ 260,750	$ 260,750	$ 37,657

Major Governmental Fund

Education Debt Service Fund

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

Exhibit G

Hartsville/Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Education Debt Service Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 613,877	$ 543,578	$ 543,578	$ 70,299
Other Local Revenues	22,230	9,000	9,000	13,230
Other Governments and Citizens Groups	75,000	75,000	75,000	0
Total Revenues	$ 711,107	$ 627,578	$ 627,578	$ 83,529
Expenditures				
Principal on Debt				
Education	$ 339,000	$ 339,000	$ 339,000	$ 0
Interest on Debt				
Education	284,026	392,950	392,950	108,924
Other Debt Service				
Education	8,443	7,500	7,500	(943)
Total Expenditures	$ 631,469	$ 739,450	$ 739,450	$ 107,981
Excess (Deficiency) of Revenues Over Expenditures	$ 79,638	$ (111,872)	$ (111,872)	$ 191,510
Net Change in Fund Balance	$ 79,638	$ (111,872)	$ (111,872)	$ 191,510
Fund Balance, July 1, 2005	545,780	520,774	520,774	25,006
Fund Balance, June 30, 2006	$ 625,418	$ 408,902	$ 408,902	$ 216,516

Fiduciary Funds

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

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

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

Exhibit H-1

Hartsville/Trousdale County Government, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	Agency Funds		
	Constitutional Officers - Agency	Judicial District Drug	Total
ASSETS			
Equity in Pooled Cash and Investments	$ 0	$ 444,102	$ 444,102
Cash	392,492	0	392,492
Accounts Receivable	1,570	0	1,570
Due from Other Governments	0	20,000	20,000
Total Assets	$ 394,062	$ 464,102	$ 858,164
LIABILITIES			
Accounts Payable	$ 0	$ 29,647	$ 29,647
Cash Overdraft	1,072	0	1,072
Due to Other Funds	0	0	0
Due to Litigants, Heirs, and Others	392,990	0	392,990
Due to Joint Venture	0	434,455	434,455
Total Liabilities	$ 394,062	$ 464,102	$ 858,164

Exhibit H-2

Hartsville/Trousdale County Government, 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
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 276,325	$ 2,069,175	$ 1,953,008	$ 392,492
Accounts Receivable	1,349	1,570	1,349	1,570
Total Assets	$ 277,674	$ 2,070,745	$ 1,954,357	$ 394,062
Liabilities				
Cash Overdraft	$ 937	$ 1,072	$ 937	$ 1,072
Due to Litigants, Heirs, and Others	276,737	2,069,673	1,953,420	392,990
Total Liabilities	$ 277,674	$ 2,070,745	$ 1,954,357	$ 394,062
Judicial District Drug Fund				
Assets				
Equity in Pooled Cash and Investments	$ 286,582	$ 277,848	$ 120,328	$ 444,102
Due From Other Governments	37,830	20,000	37,830	20,000
Total Assets	$ 324,412	$ 297,848	$ 158,158	$ 464,102
Liabilities				
Accounts Payable	$ 7,207	$ 29,647	$ 7,207	$ 29,647
Due to Other Funds	84	0	84	0
Due to Joint Ventures	317,121	268,201	150,867	434,455
Total Liabilities	$ 324,412	$ 297,848	$ 158,158	$ 464,102
Totals - All Agency Funds				
Assets				
Equity in Pooled Cash and Investments	$ 286,582	$ 277,848	$ 120,328	$ 444,102
Cash	276,325	2,069,175	1,953,008	392,492
Accounts Receivable	1,349	1,570	1,349	1,570
Due From Other Governments	37,830	20,000	37,830	20,000
Total Assets	$ 602,086	$ 2,368,593	$ 2,112,515	$ 858,164
Liabilities				
Accounts Payable	$ 7,207	$ 29,647	$ 7,207	$ 29,647
Cash Overdraft	937	1,072	937	1,072
Due to Other Funds	84	0	84	0
Due to Litigants, Heirs, and Others	276,737	2,069,673	1,953,420	392,990
Due to Joint Ventures	317,121	268,201	150,867	434,455
Total Liabilities	$ 602,086	$ 2,368,593	$ 2,112,515	$ 858,164

MISCELLANEOUS SCHEDULES

Exhibit I-1

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

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
Payable through General Debt Service Fund:								
Landfill Closure	$ 300,000	5 %	8-9-1995	7-15-05	$ 40,000	$ 0	$ 40,000	$ 0
Leachate Collection Trench	72,000	4.65	4-1-04	3-1-13	65,000	0	7,000	58,000
Highway Equipment/ Solid Waste Truck	525,000	4.68	3-1-05	3-1-15	525,000	0	42,000	483,000
Fire Truck	190,000	4.21	3-7-05	3-1-14	190,000	0	18,000	172,000
Total Payable through General Debt Service Fund					$ 820,000	$ 0	$ 107,000	$ 713,000
Payable through Urban Services Fund:								
Park and Recreation	117,000	5.47	4-11-00	4-1-06	$ 22,000	$ 0	$ 22,000	$ 0
Payable through Highway/Public Works Fund:								
Highway Equipment	300,000	4.96	7-6-1999	7-6-05	$ 29,450	$ 0	$ 29,450	$ 0
Total Notes Payable					$ 871,450	$ 0	$ 158,450	$ 713,000
CAPITAL LEASES PAYABLE								
Payable through General Fund:								
Sheriff's Commissary Computer Equipment	5,200	0	11-5-02	10-31-07	$ 2,440	$ 0	$ 1,040	$ 1,400
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund:								
School Construction	3,000,000	Variable	10-11-1995	5-25-16	$ 1,977,417	$ 0	$ 141,617	$ 1,835,800
Payable through Education Debt Service Fund:								
School Construction	(1)	Variable	8-30-02	5-25-22	7,784,565	29,794	339,000	7,475,359
Total Other Loans Payable					$ 9,761,982	$ 29,794	$ 480,617	$ 9,311,159
BONDS PAYABLE								
Payable through Urban Services Fund:								
Public Works Bonds	217,000	6.125	4-15-1988	4-15-08	$ 50,763	$ 0	$ 16,108	$ 34,655

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is $8,500,000 of which $8,455,359 had been received at June 30, 2006.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	$ 17,109	$ 1,863	$ 18,972
2008	17,546	800	18,346
Total	$ 34,655	$ 2,663	$ 37,318

Exhibit I-3

Hartsville/Trousdale County Government, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

From Fund	To Fund	Purpose	Amount
General	General Capital Projects	Operations	$ 33,000
Total Transfers			$ 33,000

Exhibit I-4

Hartsville/Trousdale County Government, 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 Executive	Section 8-24-102, TCA	$ 51,452	$ 25,000	State Automobile Mutual Insurance Company
Highway Superintendent	Section 8-24-102, TCA	49,002	100,000	"
Trustee	Section 8-24-102, TCA	44,548	325,000	"
Assessor of Property	Section 8-24-102, TCA	44,548	10,000	"
County Clerk	Section 8-24-102, TCA	44,548	35,000	"
Circuit Court Clerk	Section 8-24-102, TCA	44,548	35,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	45,228 (1)	35,000	"
Register	Section 8-24-102, TCA	44,548	15,000	"
Sheriff	Section 8-24-102, TCA	49,521 (2)	25,000	"
Employee Blanket Bond Coverage:				
General County, Water Department, and Highway Employees			150,000	Local Government Property and Casualty

(1) Includes special commissioner fees of $680.
(2) Includes law enforcement training supplement of $519.

Exhibit I-5

Hartsville/Trousdale County Government, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2006

		Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Highway / Public Works
Local Taxes						
County Property Taxes						
Current Property Tax	$ 1,369,770	$ 372,152	$ 214,028	$ 0	$ 0	$ 0
Discount on Property Taxes	(9,109)	(2,634)	(1,423)	0	0	0
Trustee's Collections - Prior Year	93,656	33,536	16,055	0	0	0
Circuit/Clerk & Master Collections - Prior Years	22,827	10,951	3,902	0	0	0
Interest and Penalty	15,617	5,144	2,650	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	17,411	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	4,416	0	0	0	0	0
County Local Option Taxes						
Local Option Sales Tax	343,444	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	37,215	0	0	0	0	0
Litigation Tax - Special Purpose	31,691	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0
Business Tax	14,852	0	2,321	0	0	0
Adequate Facilities/Development Tax	0	0	0	0	0	0
Other County Local Option Taxes	0	46,164	0	0	0	0
Statutory Local Taxes						
Bank Excise Tax	24,983	0	0	0	0	0
Wholesale Beer Tax	132,519	0	0	0	0	0
Interstate Telecommunications Tax	771	0	0	0	0	0
Other Statutory Local Taxes	0	30,605	0	0	0	0
City Local Option Taxes						
Local Option Sales Tax	159,813	0	0	0	0	0
Total Local Taxes	$ 2,259,876	$ 495,918	$ 237,533	$ 0	$ 0	$ 0
Licenses and Permits						
Licenses						
Cable TV Franchise	$ 0	$ 5,983	$ 0	$ 0	$ 0	$ 0
Permits						
Building Permits	42,072	0	0	0	0	0
Total Licenses and Permits	$ 42,072	$ 5,983	$ 0	$ 0	$ 0	$ 0

(Continued)

Exhibit I-5

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

		Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Highway / Public Works
Fines, Forfeitures, and Penalties						
Circuit Court						
Fines	$ 1,772	$ 0	$ 0	$ 0	$ 0	$ 0
Officers Costs	1,835	0	0	0	0	0
Drug Control Fines	0	0	0	1,366	0	0
Data Entry Fee - Circuit Court	373	0	0	0	0	0
Criminal Court						
Data Entry Fee - Criminal Court	717	0	0	0	0	0
General Sessions Court						
Fines	24,792	0	0	0	0	0
Officers Costs	26,072	0	0	0	0	0
Game and Fish Fines	675	0	0	0	0	0
Drug Control Fines	0	0	0	7,122	0	0
Jail Fees	1,625	0	0	0	0	0
DUI Treatment Fines	3,941	0	0	0	0	0
Data Entry Fee - General Sessions Court	5,965	0	0	0	0	0
Courtroom Security Fee	146	0	0	0	0	0
Juvenile Court						
Officers Costs	1,264	0	0	0	0	0
Chancery Court						
Officers Costs	2,114	0	0	0	0	0
Data Entry Fee - Chancery Court	146	0	0	0	0	0
Courts in Other District Counties						
District Attorney General Fees	0	0	0	0	12,603	0
Judicial District Drug Program						
Drug Task Force Forfeitures and Seizures	0	0	0	4,946	0	0
Other Fines, Forfeitures, and Penalties						
Proceeds from Confiscated Property	0	0	0	10,000	0	0
Other Fines, Forfeitures, and Penalties	205	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	$ 71,642	$ 0	$ 0	$ 23,434	$ 12,603	$ 0
Charges for Current Services						
General Service Charges						
Commercial and Industrial Waste Collection Charge	$ 0	$ 0	$ 140,833	$ 0	$ 0	$ 0

(Continued)

Exhibit I-5

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

		Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Highway / Public Works
Charges for Current Services (Cont.)						
General Service Charges (Cont.)						
Residential Waste Collection Charge	$ 0	$ 104,395	$ 0	$ 0	$ 0	$ 0
Zoning Studies	500	0	0	0	0	0
Other General Service Charges	13,956	0	0	0	0	0
Fees						
Copy Fees	3,001	0	0	0	0	0
Telephone Commissions	3,541	0	0	0	0	0
Vending Machine Collections	64	0	0	0	0	0
Data Processing Fee - Register	4,178	0	0	0	0	0
Data Processing Fee - Sheriff	56	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0
Total Charges for Current Services	$ 26,496	$ 104,395	$ 140,833	$ 0	$ 0	$ 0
Other Local Revenues						
Recurring Items						
Investment Income	$ 171,191	$ 0	$ 0	$ 0	$ 0	$ 2,538
Lease/Rentals	27,693	0	0	0	0	0
Commissary Sales	4,707	0	0	0	0	0
Sale of Gasoline	232,099	0	0	0	0	0
Sale of Recycled Materials	0	0	14,084	0	0	0
Miscellaneous Refunds	4,071	0	0	0	872	8,323
Nonrecurring Items						
Insurance Recovery	0	0	0	0	0	1,957
Sale of Property	0	0	0	0	0	0
Contributions & Gifts	0	0	0	116	0	0
Other Local Revenues						
Other Local Revenues	1,861	0	0	0	0	0
Total Other Local Revenues	$ 441,622	$ 0	$ 14,084	$ 116	$ 872	$ 12,818
Fees Received from County Officials						
Fees-In-Lieu of Salary						
County Clerk	$ 79,973	$ 0	$ 0	$ 0	$ 0	$ 0
Circuit Court Clerk	104,667	0	0	0	0	0

(Continued)

Exhibit I-5

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

		Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Highway / Public Works
Fees Received from County Officials (Cont.)						
Fees-In-Lieu of Salary (Cont.)						
Clerk and Master	$ 23,909	$ 0	$ 0	$ 0	$ 0	$ 0
Register	48,318	0	0	0	0	0
Sheriff	3,830	0	0	0	0	0
Trustee	118,829	0	0	0	0	0
Total Fees Received from County Officials	$ 379,526	$ 0	$ 0	$ 0	$ 0	$ 0
State of Tennessee						
General Government Grants						
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0
Aging Programs	23,100	0	0	0	0	0
State Reappraisal Grant	2,701	0	0	0	0	0
Solid Waste Grants	0	0	3,184	0	0	0
Public Safety Grants						
Law Enforcement Training Programs	6,743	2,075	0	0	0	0
Public Works Grants						
Bridge Program	0	0	0	0	0	51,352
State Aid Program	0	0	0	0	0	188,609
Litter Program	23,146	0	0	0	0	0
Other State Revenues						
Income Tax	12,697	0	0	0	0	0
Beer Tax	18,403	0	0	0	0	0
Alcoholic Beverage Tax	10,071	0	0	0	0	0
Emergency Hospital - Prisoners	13,589	0	0	0	0	0
Contracted Prisoner Boarding	130,172	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,236,758
Petroleum Special Tax	0	0	0	0	0	11,169
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	2,959	0	0	0	0	0
Total State of Tennessee	$ 268,961	$ 2,075	$ 3,184	$ 0	$ 0	$ 1,487,888

(Continued)

Exhibit I-5

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

		Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Highway / Public Works
Federal Government						
Direct Federal Revenue						
Police Service (Lake Area)	$ 7,588	$ 0	$ 0	$ 0	$ 0	$ 0
Total Federal Government	$ 7,588	$ 0	$ 0	$ 0	$ 0	$ 0
Other Governments and Citizens Groups						
Other Governments						
Contributions	$ 1,200	$ 0	$ 0	$ 0	$ 0	$ 0
Contracted Services	2,000	500	0	0	0	0
Citizens Groups						
Donations	4,506	0	0	0	0	0
Other						
Other	0	0	0	0	0	25,676
Total Other Governments and Citizens Groups	$ 7,706	$ 500	$ 0	$ 0	$ 0	$ 25,676
Total	$ 3,505,489	$ 608,871	$ 395,634	$ 23,550	$ 13,475	$ 1,526,382

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds		
	General Debt Service	Education Debt Service	General Capital Projects	Education Capital Projects	Total
Local Taxes					
County Property Taxes					
Current Property Tax	$ 128,415	$ 205,464	$ 0	$ 0	$ 2,289,829
Discount on Property Taxes	(854)	(1,366)	0	0	(15,386)
Trustee's Collections - Prior Year	5,352	8,027	0	0	156,626
Circuit/Clerk & Master Collections - Prior Years	1,532	2,163	0	0	41,375
Interest and Penalty	959	1,455	0	0	25,825
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	17,411
Payments in-Lieu-of Taxes - Other	0	0	0	0	4,416
County Local Option Taxes					
Local Option Sales Tax	0	0	0	0	343,444
Wheel Tax	0	325,906	0	0	325,906
Litigation Tax - General	0	0	0	0	37,215
Litigation Tax - Special Purpose	0	0	0	0	31,691
Litigation Tax - Jail, Workhouse, or Courthouse	13,531	0	0	0	13,531
Business Tax	1,392	2,228	0	0	20,793
Adequate Facilities/Development Tax	0	70,000	0	0	70,000
Other County Local Option Taxes	0	0	0	0	46,164
Statutory Local Taxes					
Bank Excise Tax	0	0	0	0	24,983
Wholesale Beer Tax	0	0	0	0	132,519
Interstate Telecommunications Tax	0	0	0	0	771
Other Statutory Local Taxes	0	0	0	0	30,605
City Local Option Taxes					
Local Option Sales Tax	0	0	0	0	159,813
Total Local Taxes	$ 150,327	$ 613,877	$ 0	$ 0	$ 3,757,531
Licenses and Permits					
Licenses					
Cable TV Franchise	$ 0	$ 0	$ 0	$ 0	$ 5,983
Permits					
Building Permits	0	0	0	0	42,072
Total Licenses and Permits	$ 0	$ 0	$ 0	$ 0	$ 48,055

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds		
	General Debt Service	Education Debt Service	General Capital Projects	Education Capital Projects	Total
Fines, Forfeitures, and Penalties					
Circuit Court					
Fines	$ 0	$ 0	$ 0	$ 0	$ 1,772
Officers Costs	0	0	0	0	1,835
Drug Control Fines	0	0	0	0	1,366
Data Entry Fee - Circuit Court	0	0	0	0	373
Criminal Court					
Data Entry Fee - Criminal Court	0	0	0	0	717
General Sessions Court					
Fines	0	0	0	0	24,792
Officers Costs	0	0	0	0	26,072
Game and Fish Fines	0	0	0	0	675
Drug Control Fines	0	0	0	0	7,122
Jail Fees	0	0	0	0	1,625
DUI Treatment Fines	0	0	0	0	3,941
Data Entry Fee - General Sessions Court	0	0	0	0	5,965
Courtroom Security Fee	0	0	0	0	146
Juvenile Court					
Officers Costs	0	0	0	0	1,264
Chancery Court					
Officers Costs	0	0	0	0	2,114
Data Entry Fee - Chancery Court	0	0	0	0	146
Courts in Other District Counties					
District Attorney General Fees	0	0	0	0	12,603
Judicial District Drug Program					
Drug Task Force Forfeitures and Seizures	0	0	0	0	4,946
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	0	0	0	0	10,000
Other Fines, Forfeitures, and Penalties	0	0	0	0	205
Total Fines, Forfeitures, and Penalties	$ 0	$ 0	$ 0	$ 0	$ 107,679
Charges for Current Services					
General Service Charges					
Commercial and Industrial Waste Collection Charge	$ 0	$ 0	$ 0	$ 0	$ 140,833

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds		
	General Debt Service	Education Debt Service	General Capital Projects	Education Capital Projects	Total
Charges for Current Services (Cont.)					
General Service Charges (Cont.)					
Residential Waste Collection Charge	$ 0	$ 0	$ 0	$ 0	$ 104,395
Zoning Studies	0	0	0	0	500
Other General Service Charges	0	0	0	0	13,956
Fees					
Copy Fees	0	0	0	0	3,001
Telephone Commissions	0	0	0	0	3,541
Vending Machine Collections	0	0	0	0	64
Data Processing Fee - Register	0	0	0	0	4,178
Data Processing Fee - Sheriff	0	0	0	0	56
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,200
Total Charges for Current Services	$ 0	$ 0	$ 0	$ 0	$ 271,724
Other Local Revenues					
Recurring Items					
Investment Income	$ 0	$ 22,230	$ 8,134	$ 133	$ 204,226
Lease/Rentals	0	0	0	0	27,693
Commissary Sales	0	0	0	0	4,707
Sale of Gasoline	0	0	0	0	232,099
Sale of Recycled Materials	0	0	0	0	14,084
Miscellaneous Refunds	0	0	0	0	13,266
Nonrecurring Items					
Insurance Recovery	0	0	0	0	1,957
Sale of Property	0	0	60,000	0	60,000
Contributions & Gifts	0	0	0	0	116
Other Local Revenues					
Other Local Revenues	0	0	0	0	1,861
Total Other Local Revenues	$ 0	$ 22,230	$ 68,134	$ 133	$ 560,009
Fees Received from County Officials					
Fees-In-Lieu of Salary					
County Clerk	$ 0	$ 0	$ 0	$ 0	$ 79,973
Circuit Court Clerk	0	0	0	0	104,667

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds		
	General Debt Service	Education Debt Service	General Capital Projects	Education Capital Projects	Total
Fees Received from County Officials (Cont.)					
Fees-In-Lieu of Salary (Cont.)					
Clerk and Master	$ 0	$ 0	$ 0	$ 0	$ 23,909
Register	0	0	0	0	48,318
Sheriff	0	0	0	0	3,830
Trustee	0	0	0	0	118,829
Total Fees Received from County Officials	$ 0	$ 0	$ 0	$ 0	$ 379,526
State of Tennessee					
General Government Grants					
Juvenile Services Program	$ 0	$ 0	$ 0	$ 0	$ 9,000
Aging Programs	0	0	0	0	23,100
State Reappraisal Grant	0	0	0	0	2,701
Solid Waste Grants	0	0	0	0	3,184
Public Safety Grants					
Law Enforcement Training Programs	0	0	0	0	8,818
Public Works Grants					
Bridge Program	0	0	0	0	51,352
State Aid Program	0	0	0	0	188,609
Litter Program	0	0	0	0	23,146
Other State Revenues					
Income Tax	0	0	0	0	12,697
Beer Tax	0	0	0	0	18,403
Alcoholic Beverage Tax	0	0	0	0	10,071
Emergency Hospital - Prisoners	0	0	0	0	13,589
Contracted Prisoner Boarding	0	0	0	0	130,172
Gasoline and Motor Fuel Tax	0	0	0	0	1,236,758
Petroleum Special Tax	0	0	0	0	11,169
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	2,959
Total State of Tennessee	$ 0	$ 0	$ 0	$ 0	$ 1,762,108

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds		
	General Debt Service	Education Debt Service	General Capital Projects	Education Capital Projects	Total
Federal Government					
Direct Federal Revenue					
Police Service (Lake Area)	$ 0	$ 0	$ 0	$ 0	$ 7,588
Total Federal Government	$ 0	$ 0	$ 0	$ 0	$ 7,588
Other Governments and Citizens Groups					
Other Governments					
Contributions	$ 170,000	$ 75,000	$ 0	$ 0	$ 246,200
Contracted Services	0	0	0	0	2,500
Citizens Groups					
Donations	0	0	0	0	4,506
Other					
Other	0	0	28,640	0	54,316
Total Other Governments and Citizens Groups	$ 170,000	$ 75,000	$ 28,640	$ 0	$ 307,522
Total	$ 320,327	$ 711,107	$ 96,774	$ 133	$ 7,201,742

Exhibit I-6

Hartsville/Trousdale County Government, 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	$	7,262		
Other Per Diem & Fees		1,229		
Social Security		528		
Employer Medicare		124		
Audit Services		2,159		
Legal Notices, Recording, and Court Costs		40		
Other Contracted Services		3,312		
Total County Commission			$	14,654
Beer Board				
Board and Committee Members Fees	$	40		
Total Beer Board				40
County Mayor/Executive				
County Official/Administrative Officer	$	51,452		
Secretary(ies)		72,035		
Social Security		7,554		
State Retirement		7,859		
Medical Insurance		14,820		
Employer Medicare		1,767		
Data Processing Services		5,377		
Legal Notices, Recording, and Court Costs		157		
Printing, Stationery, and Forms		2,019		
Travel		2,294		
Office Supplies		1,584		
Premiums on Corporate Surety Bonds		330		
Other Charges		82		
Office Equipment		825		
Total County Mayor/Executive				168,155
County Attorney				
County Official/Administrative Officer	$	13,861		
Legal Services		250		
Total County Attorney				14,111
Election Commission				
County Official/Administrative Officer	$	35,638		
Deputy(ies)		600		
Election Commission		3,915		
Social Security		2,433		

(Continued)

Exhibit I-6

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

General Fund (Cont.)				
General Government (Cont.)				
Election Commission (Cont.)				
State Retirement	$	2,274		
Employer Medicare		569		
Data Processing Services		2,277		
Dues and Memberships		150		
Legal Notices, Recording, and Court Costs		179		
Maintenance & Repair Services - Equipment		900		
Printing, Stationery, and Forms		912		
Travel		1,283		
Office Supplies		410		
Other Charges		30		
Total Election Commission			$	51,570
Register of Deeds				
County Official/Administrative Officer	$	44,548		
Deputy(ies)		8,818		
Social Security		3,276		
State Retirement		2,842		
Medical Insurance		4,560		
Employer Medicare		766		
Data Processing Services		3,905		
Dues and Memberships		95		
Printing, Stationery, and Forms		502		
Office Supplies		2,205		
Premiums on Corporate Surety Bonds		100		
Total Register of Deeds				71,617
Planning				
County Official/Administrative Officer	$	36,793		
In-Service Training		335		
Social Security		2,221		
State Retirement		2,347		
Medical Insurance		4,560		
Employer Medicare		519		
Dues and Memberships		7,000		
Legal Notices, Recording, and Court Costs		85		
Printing, Stationery, and Forms		169		
Gasoline		989		
Office Supplies		22		
Other Charges		1,189		
Office Equipment		170		
Total Planning				56,399

(Continued)

Exhibit I-6

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

General Fund (Cont.)		
General Government (Cont.)		
County Buildings		
Attendants	$ 11,288	
Custodial Personnel	3,525	
Social Security	809	
State Retirement	657	
Medical Insurance	4,560	
Employer Medicare	188	
Maintenance & Repair Services - Buildings	13,914	
Pest Control	925	
Rentals	174	
Custodial Supplies	8,553	
Electricity	28,012	
Natural Gas	31,245	
Water and Sewer	4,146	
Other Charges	1,214	
Total County Buildings		$ 109,210
Finance		
Property Assessor's Office		
County Official/Administrative Officer	$ 44,548	
Secretary(ies)	20,842	
Board and Committee Members Fees	340	
Social Security	3,979	
State Retirement	4,172	
Medical Insurance	9,120	
Employer Medicare	931	
Dues and Memberships	35	
Legal Notices, Recording, and Court Costs	19	
Maintenance & Repair Services - Vehicles	1,192	
Printing, Stationery, and Forms	1,363	
Other Contracted Services	3,750	
Gasoline	1,220	
Office Supplies	468	
Premiums on Corporate Surety Bonds	215	
Other Charges	36	
Total Property Assessor's Office		92,230
County Trustee's Office		
County Official/Administrative Officer	$ 44,548	
Deputy(ies)	19,819	
Social Security	3,430	

(Continued)

Exhibit I-6

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

General Fund (Cont.)		
Finance (Cont.)		
County Trustee's Office (Cont.)		
State Retirement	$ 4,096	
Medical Insurance	8,740	
Employer Medicare	802	
Data Processing Services	4,003	
Legal Notices, Recording, and Court Costs	6	
Printing, Stationery, and Forms	3,699	
Office Supplies	293	
Premiums on Corporate Surety Bonds	938	
Total County Trustee's Office		$ 90,374
County Clerk's Office		
County Official/Administrative Officer	$ 44,548	
Deputy(ies)	20,681	
Social Security	3,972	
State Retirement	4,161	
Medical Insurance	4,560	
Employer Medicare	929	
Dues and Memberships	100	
Printing, Stationery, and Forms	3,423	
Office Supplies	747	
Premiums on Corporate Surety Bonds	225	
Total County Clerk's Office		83,346
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 44,548	
Deputy(ies)	44,943	
Overtime Pay	103	
Board and Committee Members Fees	1,200	
Jury and Witness Fees	3,598	
Social Security	5,461	
State Retirement	5,716	
Medical Insurance	12,864	
Employer Medicare	1,283	
Legal Notices, Recording, and Court Costs	84	
Printing, Stationery, and Forms	3,090	
Office Supplies	1,100	
Premiums on Corporate Surety Bonds	225	
Office Equipment	22	
Total Circuit Court		124,237

(Continued)

Exhibit I-6

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
General Sessions Court		
Judge(s)	$ 43,983	
Other Salaries & Wages	6,990	
Social Security	2,186	
State Retirement	2,806	
Medical Insurance	4,560	
Employer Medicare	511	
Total General Sessions Court		$ 61,036
Chancery Court		
County Official/Administrative Officer	$ 44,548	
Social Security	2,736	
State Retirement	2,842	
Medical Insurance	4,560	
Employer Medicare	640	
Legal Notices, Recording, and Court Costs	90	
Printing, Stationery, and Forms	304	
Office Supplies	395	
Premiums on Corporate Surety Bonds	225	
Office Equipment	500	
Total Chancery Court		56,840
Judicial Commissioners		
In-Service Training	$ 740	
Social Security	757	
Employer Medicare	177	
Other Contracted Services	12,210	
Total Judicial Commissioners		13,884
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 49,002	
Deputy(ies)	249,909	
Salary Supplements	6,224	
Dispatchers/Radio Operators	91,869	
Overtime Pay	29,554	
In-Service Training	1,838	
Social Security	24,704	
State Retirement	26,970	
Medical Insurance	44,249	
Employer Medicare	5,932	

(Continued)

Exhibit I-6

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

General Fund (Cont.)		
Public Safety (Cont.)		
Sheriff's Department (Cont.)		
Data Processing Services	$ 923	
Dues and Memberships	1,078	
Legal Notices, Recording, and Court Costs	47	
Maintenance & Repair Services - Equipment	4,851	
Maintenance & Repair Services - Vehicles	25,894	
Medical and Dental Services	655	
Printing, Stationery, and Forms	4,056	
Rentals	2,730	
Tow-in Services	195	
Travel	832	
Electricity	727	
Gasoline	24,036	
Law Enforcement Supplies	7,094	
Office Supplies	1,715	
Uniforms	2,253	
Other Supplies and Materials	45	
Premiums on Corporate Surety Bonds	125	
Other Charges	1,196	
Law Enforcement Equipment	3,793	
Motor Vehicles	22,000	
Other Equipment	110	
Total Sheriff's Department		$ 634,606
Drug Enforcement		
Deputy(ies)	$ 29,399	
Social Security	1,827	
State Retirement	4,322	
Medical Insurance	3,744	
Employer Medicare	478	
Gasoline	2,590	
Total Drug Enforcement		42,360
Jail		
Guards	$ 247,158	
Cafeteria Personnel	10,102	
Overtime Pay	18,872	
In-Service Training	1,638	
Social Security	16,457	
State Retirement	17,177	
Medical Insurance	42,606	

(Continued)

Exhibit I-6

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

General Fund (Cont.)		
Public Safety (Cont.)		
Jail (Cont.)		
Employer Medicare	$ 3,870	
Data Processing Services	3,953	
Maintenance & Repair Services - Buildings	3,205	
Maintenance & Repair Services - Equipment	1,454	
Medical and Dental Services	111,697	
Pest Control	468	
Printing, Stationery, and Forms	1,004	
Custodial Supplies	4,776	
Electricity	12,893	
Food Supplies	41,631	
Natural Gas	5,784	
Office Supplies	863	
Prisoners Clothing	1,250	
Uniforms	1,497	
Water and Sewer	7,318	
Other Supplies and Materials	1,202	
Principal on Capital Leases	1,040	
Other Equipment	292	
Total Jail		$ 558,207
Workhouse		
Guards	$ 21,206	
Overtime Pay	1,333	
Social Security	1,366	
State Retirement	1,438	
Medical Insurance	4,560	
Employer Medicare	319	
Maintenance & Repair Services - Vehicles	2,516	
Custodial Supplies	18	
Gasoline	3,102	
Total Workhouse		35,858
Juvenile Services		
Other Salaries & Wages	$ 18,978	
Social Security	1,177	
Employer Medicare	275	
Travel	653	
Other Supplies and Materials	7	
Other Charges	4,306	
Total Juvenile Services		25,396

(Continued)

Exhibit I-6

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

General Fund (Cont.)		
Public Safety (Cont.)		
Fire Prevention and Control		
In-Service Training	$ 810	
Contributions	9,775	
Dues and Memberships	200	
Legal Notices, Recording, and Court Costs	4	
Maintenance & Repair Services - Buildings	27	
Maintenance & Repair Services - Equipment	1,264	
Maintenance & Repair Services - Vehicles	6,161	
Medical and Dental Services	750	
Electricity	210	
Equipment and Machinery Parts	8,112	
Gasoline	1,125	
Other Supplies and Materials	896	
Other Charges	29	
Other Equipment	11,560	
Total Fire Prevention and Control		$ 40,923
Civil Defense		
Maintenance & Repair Services - Equipment	$ 1,509	
Maintenance & Repair Services - Vehicles	1,131	
Gasoline	475	
Natural Gas	491	
Water and Sewer	252	
Other Supplies and Materials	123	
Other Equipment	5,624	
Total Civil Defense		9,605
Other Emergency Management		
Legal Notices, Recording, and Court Costs	$ 18	
Total Other Emergency Management		18
Inspection and Regulation		
Supervisor/Director	$ 3,954	
Social Security	288	
State Retirement	520	
Employer Medicare	14	
Drugs and Medical Supplies	636	
Other Charges	324	
Total Inspection and Regulation		5,736

(Continued)

Exhibit I-6

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

General Fund (Cont.)				
Public Safety (Cont.)				
County Coroner/Medical Examiner				
Other Contracted Services	$	7,290		
Other Charges		630		
Total County Coroner/Medical Examiner			$	7,920
Public Health and Welfare				
Local Health Center				
Communication	$	1,378		
Contributions		13,500		
Dues and Memberships		100		
Maintenance & Repair Services - Buildings		6,855		
Maintenance & Repair Services - Equipment		1,705		
Pest Control		396		
Printing, Stationery, and Forms		206		
Custodial Supplies		264		
Drugs and Medical Supplies		1,360		
Electricity		2,506		
Natural Gas		2,594		
Office Supplies		303		
Periodicals		44		
Water and Sewer		298		
Other Charges		76		
Total Local Health Center				31,585
Rabies and Animal Control				
Maintenance & Repair Services - Vehicles	$	8		
Total Rabies and Animal Control				8
Ambulance/Emergency Medical Services				
Contracts with Private Agencies	$	261,804		
Total Ambulance/Emergency Medical Services				261,804
Alcohol and Drug Programs				
Other Contracted Services	$	4,000		
Instructional Supplies and Materials		1,047		
Other Supplies and Materials		152		
Total Alcohol and Drug Programs				5,199
Sanitation Education/Information				
Education Media Personnel	$	3,631		
Guards		12,445		

(Continued)

Exhibit I-6

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

General Fund (Cont.)				
Public Health and Welfare (Cont.)				
Sanitation Education/Information (Cont.)				
Clerical Personnel	$	2,002		
Social Security		949		
State Retirement		917		
Employer Medicare		202		
Advertising		279		
Maintenance & Repair Services - Vehicles		526		
Custodial Supplies		355		
Gasoline		3,042		
Instructional Supplies and Materials		3,857		
Other Supplies and Materials		1,053		
Total Sanitation Education/Information			$	29,258
Other Public Health and Welfare				
Contributions	$	12,000		
Total Other Public Health and Welfare				12,000
Social, Cultural, and Recreational Services				
Senior Citizens Assistance				
Supervisor/Director	$	15,447		
Part-time Personnel		7,374		
Social Security		1,393		
State Retirement		1,000		
Employer Medicare		326		
Communication		1,354		
Maintenance & Repair Services - Vehicles		248		
Postal Charges		115		
Travel		35		
Other Contracted Services		960		
Gasoline		651		
Other Supplies and Materials		2,346		
Furniture and Fixtures		2,101		
Total Senior Citizens Assistance				33,350
Libraries				
Assistant(s)	$	8,375		
Librarians		22,469		
Social Security		1,886		
State Retirement		1,434		
Medical Insurance		4,560		
Employer Medicare		441		

(Continued)

Exhibit I-6

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

General Fund (Cont.)				
Social, Cultural, and Recreational Services (Cont.)				
Libraries (Cont.)				
Contributions	$	21,204		
Water and Sewer		283		
Total Libraries			$	60,652
Parks and Fair Boards				
Supervisor/Director	$	7,117		
Laborers		6,083		
Temporary Personnel		13,657		
Social Security		1,656		
State Retirement		937		
Medical Insurance		911		
Employer Medicare		387		
Legal Notices, Recording, and Court Costs		9		
Maintenance & Repair Services - Buildings		612		
Maintenance & Repair Services - Equipment		1,823		
Maintenance & Repair Services - Vehicles		758		
Medical and Dental Services		64		
Permits		680		
Custodial Supplies		29		
Electricity		8,785		
Fertilizer, Lime, and Seed		193		
Food Supplies		1,244		
Gasoline		555		
Water and Sewer		3,006		
Chemicals		1,599		
Other Supplies and Materials		267		
Other Charges		792		
Site Development		9,500		
Other Equipment		1,500		
Total Parks and Fair Boards				62,164
Agriculture & Natural Resources				
Agriculture Extension Service				
Salary Supplements	$	18,338		
Secretary(ies)		6,238		
In-Service Training		200		
Social Security		1,880		
State Retirement		3,251		
Communication		3,893		
Contributions		5,000		

(Continued)

Exhibit I-6

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

General Fund (Cont.)				
Agriculture & Natural Resources (Cont.)				
Agriculture Extension Service (Cont.)				
Dues and Memberships	$	311		
Travel		1,300		
Other Contracted Services		971		
Office Supplies		830		
Other Supplies and Materials		1,313		
Office Equipment		99		
Total Agriculture Extension Service			$	43,624
Soil Conservation				
Contributions	$	12,115		
Total Soil Conservation				12,115
Other Operations				
Other Economic and Community Development				
Legal Notices, Recording, and Court Costs	$	47		
Total Other Economic and Community Development				47
Other Charges				
Mechanic(s)	$	22,156		
Overtime Pay		16		
Other Salaries & Wages		5,114		
Social Security		1,667		
State Retirement		2,934		
Medical Insurance		4,573		
Employer Medicare		390		
Communication		29,017		
Evaluation and Testing		3,139		
Maintenance & Repair Services - Vehicles		850		
Postal Charges		8,613		
Rentals		12,159		
Fuel Oil		222,781		
Other Supplies and Materials		34		
Liability Insurance		36,288		
Trustee's Commission		40,954		
Workers' Compensation Insurance		37,560		
Other Charges		1,146		
Total Other Charges				429,391
Employee Benefits				
Handling Charges & Administrative Costs	$	631		

(Continued)

Exhibit I-6

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

General Fund (Cont.)			
Other Operations (Cont.)			
Employee Benefits (Cont.)			
Unemployment Compensation	$ 2,831		
Total Employee Benefits		$ 3,462	
Miscellaneous			
Contributions	$ 7,000		
Dues and Memberships	4,333		
Total Miscellaneous		11,333	
Capital Projects			
Other General Government Projects			
Maintenance & Repair Services - Buildings	$ 3,228		
Total Other General Government Projects		3,228	
Total General Fund			$ 3,367,552
Urban Services Fund			
Public Safety			
Sheriff's Department			
Deputy(ies)	$ 133,532		
Dispatchers/Radio Operators	30,566		
Overtime Pay	4,569		
Social Security	10,209		
State Retirement	17,537		
Medical Insurance	19,385		
Employer Medicare	2,437		
Maintenance & Repair Services - Vehicles	4,049		
Gasoline	6,250		
Total Sheriff's Department		$ 228,534	
Fire Prevention and Control			
Gasoline	$ 500		
Other Charges	1,979		
Total Fire Prevention and Control		2,479	
Public Health and Welfare			
Rabies and Animal Control			
Overtime Pay	$ 477		
Other Salaries & Wages	3,679		
Social Security	164		
State Retirement	230		

(Continued)

Exhibit I-6

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

Urban Services Fund (Cont.)				
Public Health and Welfare (Cont.)				
Rabies and Animal Control (Cont.)				
Medical Insurance	$	571		
Employer Medicare		38		
Maintenance & Repair Services - Vehicles		773		
Veterinary Services		289		
Gasoline		2,000		
Water and Sewer		431		
Total Rabies and Animal Control			$	8,652
Waste Pickup				
Supervisor/Director	$	16,151		
Truck Drivers		24,029		
Laborers		32,954		
Overtime Pay		391		
Social Security		4,309		
State Retirement		7,284		
Medical Insurance		10,944		
Employer Medicare		1,008		
Maintenance & Repair Services - Vehicles		3,273		
Disposal Fees		18,655		
Gasoline		6,000		
Other Supplies and Materials		184		
Other Charges		56		
Total Waste Pickup				125,238
Social, Cultural, and Recreational Services				
Other Social, Cultural, and Recreational				
Other Charges	$	2,710		
Total Other Social, Cultural, and Recreational				2,710
Other Operations				
Other Charges				
Electricity	$	46,993		
Trustee's Commission		10,270		
Workers' Compensation Insurance		16,000		
Total Other Charges				73,263
Employee Benefits				
State Retirement	$	2,870		
Medical Insurance		270		
Total Employee Benefits				3,140

(Continued)

Exhibit I-6

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

Urban Services Fund (Cont.)			
Highways			
Highway and Bridge Maintenance			
Asphalt - Hot Mix	$ 49,833		
Total Highway and Bridge Maintenance		$ 49,833	
Principal on Debt			
General Government			
Principal on Bonds	$ 16,108		
Principal on Notes	22,000		
Total General Government		38,108	
Interest on Debt			
General Government			
Interest on Bonds	$ 2,864		
Interest on Notes	1,166		
Total General Government		4,030	
Total Urban Services Fund			$ 535,987
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Convenience Centers			
Supervisor/Director	$ 14,235		
Truck Drivers	47,361		
Attendants	36,174		
Overtime Pay	5,000		
Social Security	6,472		
State Retirement	10,900		
Medical Insurance	15,550		
Employer Medicare	1,445		
Maintenance & Repair Services - Equipment	7,300		
Maintenance & Repair Services - Vehicles	12,004		
Medical and Dental Services	500		
Postal Charges	83		
Printing, Stationery, and Forms	171		
Electricity	2,714		
Gasoline	18,000		
Water and Sewer	456		
Other Supplies and Materials	800		
Site Development	2,000		
Solid Waste Equipment	52,250		
Total Convenience Centers		$ 233,415	

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)			
Public Health and Welfare (Cont.)			
Other Waste Disposal			
Disposal Fees	$ 122,937		
Trustee's Commission	6,242		
Total Other Waste Disposal		$ 129,179	
Postclosure Care Costs			
Engineering Services	$ 4,400		
Landfill Closure/Postclosure Care Costs	807		
Total Postclosure Care Costs		5,207	
Other Operations			
Other Charges			
Workers' Compensation Insurance	$ 8,338		
Total Other Charges		8,338	
Total Solid Waste/Sanitation Fund			$ 376,139
Drug Control Fund			
Public Safety			
Drug Enforcement			
Instructional Supplies and Materials	$ 251		
Other Supplies and Materials	80		
Trustee's Commission	225		
Law Enforcement Equipment	2,539		
Motor Vehicles	4,741		
Total Drug Enforcement		$ 7,836	
Total Drug Control Fund			7,836
District Attorney General Fund			
Administration of Justice			
District Attorney General			
Salary Supplements	$ 5,916		
Travel	3,364		
Library Books/Media	1,186		
Other Supplies and Materials	2,425		
Trustee's Commission	130		
In Service/Staff Development	1,900		
Other Charges	1,121		
Other Equipment	730		
Total District Attorney General		$ 16,772	
Total District Attorney General Fund			16,772

(Continued)

Exhibit I-6

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

Highway/Public Works Fund		
Highways		
Administration		
County Official/Administrative Officer	$ 49,002	
Accountants/Bookkeepers	25,550	
Other Salaries & Wages	1,920	
Board and Committee Members Fees	1,200	
Social Security	4,428	
State Retirement	4,743	
Employer Medicare	1,036	
Communication	4,531	
Data Processing Services	3,622	
Dues and Memberships	1,601	
Legal Services	300	
Legal Notices, Recording, and Court Costs	122	
Maintenance & Repair Services - Buildings	163	
Pest Control	70	
Postal Charges	489	
Printing, Stationery, and Forms	599	
Travel	280	
Custodial Supplies	183	
Data Processing Supplies	284	
Drugs and Medical Supplies	100	
Electricity	3,200	
Natural Gas	1,800	
Office Supplies	499	
Propane Gas	417	
Water and Sewer	732	
Premiums on Corporate Surety Bonds	350	
Other Charges	617	
Office Equipment	446	
Total Administration		$ 108,284
Highway and Bridge Maintenance		
Foremen	$ 85,106	
Equipment Operators	182,968	
Truck Drivers	120,922	
Laborers	37,767	
Social Security	25,662	
State Retirement	23,994	
Employer Medicare	6,002	
Maintenance & Repair Services - Equipment	2,000	
Asphalt - Cold Mix	1,000	

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)				
Highways (Cont.)				
Highway and Bridge Maintenance (Cont.)				
Asphalt - Hot Mix	$	344,675		
Asphalt - Liquid		1,000		
Concrete		1,000		
Crushed Stone		30,162		
Electricity		94		
General Construction Materials		3,999		
Other Road Supplies		2,000		
Pipe		7,994		
Propane Gas		124		
Road Signs		4,000		
Salt		999		
Small Tools		367		
Wood Products		78		
Other Supplies and Materials		426		
Other Charges		336		
Total Highway and Bridge Maintenance			$	882,675
Operation and Maintenance of Equipment				
Mechanic(s)	$	30,765		
Social Security		1,874		
State Retirement		1,962		
Employer Medicare		438		
Maintenance & Repair Services - Equipment		3,607		
Maintenance & Repair Services - Vehicles		4,896		
Diesel Fuel		31,794		
Equipment and Machinery Parts		30,712		
Garage Supplies		1,346		
Gasoline		46,166		
Lubricants		3,000		
Small Tools		274		
Tires and Tubes		5,839		
Other Supplies and Materials		1,055		
Other Charges		9		
Total Operation and Maintenance of Equipment				163,737
Other Charges				
Evaluation and Testing	$	414		
Other Contracted Services		2,073		
Trustee's Commission		12,459		
Vehicle and Equipment Insurance		34,410		

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Other Charges (Cont.)			
Workers' Compensation Insurance	$ 61,892		
Liability Claims	560		
Other Charges	35		
Principal on Notes	29,450		
Total Other Charges		$ 141,293	
Employee Benefits			
Handling Charges & Administrative Costs	$ 120		
Medical Insurance	52,301		
Unemployment Compensation	5,407		
Total Employee Benefits		57,828	
Capital Outlay			
Engineering Services	$ 53,805		
Bridge Construction	51,352		
Building Improvements	8		
Communication Equipment	821		
Motor Vehicles	171,172		
Other Equipment	74,909		
Other Construction	11,534		
Total Capital Outlay		363,601	
Total Highway/Public Works Fund			$ 1,717,418
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Notes	$ 107,000		
Total General Government		$ 107,000	
Education			
Principal on Other Loans	$ 141,617		
Total Education		141,617	
Interest on Debt			
General Government			
Interest on Notes	$ 34,779		
Total General Government		34,779	

(Continued)

Exhibit I-6

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

General Debt Service Fund (Cont.)			
Interest on Debt (Cont.)			
Education			
Interest on Other Loans	$ 74,009		
Total Education		$ 74,009	
Other Debt Service			
General Government			
Trustee's Commission	$ 2,856		
Total General Government		2,856	
Total General Debt Service Fund			$ 360,261
Education Debt Service Fund			
Principal on Debt			
Education			
Principal on Other Loans	$ 339,000		
Total Education		$ 339,000	
Interest on Debt			
Education			
Interest on Other Loans	$ 284,026		
Total Education		284,026	
Other Debt Service			
Education			
Trustee's Commission	$ 8,443		
Total Education		8,443	
Total Education Debt Service Fund			631,469
General Capital Projects Fund			
Capital Projects			
General Administration Projects			
Architects	$ 14,078		
Bank Charges	133		
Building Improvements	150,837		
Total General Administration Projects		$ 165,048	
Social, Cultural, and Recreation Projects			
Architects	$ 25,844		
Electricity	75		
Building Construction	373,054		
Total Social, Cultural, and Recreation Projects		398,973	
Total General Capital Projects Fund			564,021

(Continued)

Exhibit I-6

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

Education Capital Projects Fund			
Capital Projects			
Education Capital Projects			
Bank Charges	$ 20		
Building Construction	29,795		
Total Education Capital Projects		$ 29,815	
Total Education Capital Projects Fund			$ 29,815
Total Governmental Funds - Primary Government			$ 7,607,270

Exhibit I-7

Hartsville/Trousdale County Government, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2006

	Major Fund Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for Current Services	
Water Sales	$ 892,431
Sewer Charges	276,366
Penalties for Late Payment	20,769
Water Tap Fees	68,250
Sewer Tap Fees	24,090
Total Charges for Current Services	$ 1,281,906
Other Local Revenues	
Miscellaneous Refunds	$ 28,118
Other Local Revenues	4,245
Total Other Local Revenues	$ 32,363
Total Operating Revenues	$ 1,314,269
Nonoperating Revenues	
Solid Waste Grants	$ 356,203
Interest	55,020
Total Nonoperating Revenues	$ 411,223
Total Revenues	$ 1,725,492
Operating Expenses	
Landfill Operation and Maintenance	
Salaries and Wages	$ 389,297
Overtime Pay	28,823
In-Service Training	1,387
Social Security	30,729
State Retirement	54,429
Medical Insurance	55,860
Architects	3,040
Communication	20,092
Data Processing Services	8,283
Dues and Memberships	7,729
Engineering Services	959
Legal Notices and Recording Costs	314
Maintenance and Repair Services - Buildings	19,913
Maintenance and Repair Services - Equipment	64,239
Maintenance and Repair Services - Vehicles	4,414
Postal Charges	11,210
Rentals	2,336
Travel	329
Other Contracted Services	50,254
Electricity	122,771
Gasoline	12,992
Natural Gas	2,898
Office Supplies	8,700

(Continued)

Exhibit I-7

Hartsville/Trousdale County Government, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund (Cont.)

	Major Fund Enterprise Fund Water and Sewer Fund
Operating Expenses (Cont.)	
Landfill Operation and Maintenance (Cont.)	
Tires and Tubes	$ 448
Water and Sewer	16,362
Chemicals	41,640
Other Supplies and Materials	41,217
Liability Insurance	47,866
Other Charges	868
Office Equipment	5,845
Other Equipment	33,372
Other Construction	514,556
Other Capital Outlay	27,000
Total Operating Expenses	$ 1,630,172
Nonoperating Expenses	
Interest on Bonds	$ 54,000
Total Expenses	$ 1,684,172

ANNUAL FINANCIAL REPORT

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT
SCHOOL DEPARTMENT

A COMPONENT UNIT OF
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, 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

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

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

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

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

Annual Financial Report
Hartsville/Trousdale County Government School Department
For the Year Ended June 30, 2006

Scope

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Hartville/Trousdale County Government School Department as of and for the year ended June 30, 2006.

Results

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Hartsville/Trousdale County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- Cash on deposit with trustee was not reconciled with fund cash, as required by state statute.
- General ledger payroll liability accounts were not reconciled monthly with payroll reports and payments.
- Expenditures exceeded appropriations approved by the County Commission in six major categories of the General Purpose School Fund. The actual fund balance of the General Purpose School Fund at July 1, 2005, exceeded the estimated beginning fund balance presented to the County Commission by $465,370. Budget amendments were posted to the accounting records that had not been approved by the Board of Education or the County Commission.
- Purchase orders were not issued for some required purchases, some purchase orders were issued after purchases were made, and some invoices were paid without documentation that goods had been received or services had been rendered.
- All assets were not tagged or otherwise clearly identified as School Department property. In addition, some inventory records did not contain the assets' serial numbers or other unique forms of identification that would allow items to be physically verified.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Hartsville/Trousdale County Government School Officials
June 30, 2006

Official

Margaret Oldham, Director of Schools

Board of Education

Janie Oldham, Chairman
Tommy Belcher
James Crabtree
Barry Holder
Randy Linville

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

September 1, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Hartsville/Trousdale County Government School Department, a component unit of Hartsville/Trousdale County Government, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 29, which collectively comprise a portion of the Hartsville/Trousdale County Government School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hartsville/Trousdale County Government School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hartsville/Trousdale County Government School Department 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 the major fund and the aggregate remaining fund information of the Hartsville/Trousdale County Government School Department 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 September 1, 2006, on our consideration of the Hartsville/Trousdale County Government School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B, the Hartsville/Trousdale County Government School Department has implemented Governmental Accounting Standards Board Statement No. 47 Accounting for Termination Benefits.

The budgetary comparison information on pages 33 through 36 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Hartsville/ Trousdale County Government, Tennessee
Balance Sheet - Governmental Funds
Hartsville/ Trousdale County School Department
June 30, 2006

	Major Fund	Nonmajor Fund	
	General Purpose School	School Federal Projects Fund	Total Govern-mental Funds
ASSETS			
Equity in Pooled Cash and Investments	$ 2,007,179	$ 0	$ 2,007,179
Accounts Receivable	319	0	319
Due from Other Governments	109,953	45,500	155,453
Due from Other Funds	1,636	1,439	3,075
Property Taxes Receivable	840,930	0	840,930
Allowance for Uncollectible Property Taxes	(38,204)	0	(38,204)
Total Assets	$ 2,921,813	$ 46,939	$ 2,968,752
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 41,079	$ 27,261	$ 68,340
Payroll Deductions Payable	2,012	92	2,104
Cash Overdraft	0	3,425	3,425
Due to Other Funds	1,439	1,636	3,075
Due to Primary Government	2,320	0	2,320
Deferred Revenue - Current Property Taxes	756,965	0	756,965
Deferred Revenue - Delinquent Property Taxes	41,949	0	41,949
Other Deferred Revenues	66,615	0	66,615
Total Liabilities	$ 912,379	$ 32,414	$ 944,793
Fund Balances			
Reserved for Career Ladder Program	$ 6,593	$ 0	$ 6,593
Reserved for Basic Education Program	550,466	0	550,466
Other State Education Reserves	20,780	0	20,780
Reserved for Title I Grants to Local Education Agencies	0	5,021	5,021
Reserved for Special Education - Grants to States	0	9,504	9,504
Unreserved, Reported In:			
General Fund	1,431,595	0	1,431,595
Total Fund Balances	$ 2,009,434	$ 14,525	$ 2,023,959
Total Liabilities and Fund Balances	$ 2,921,813	$ 46,939	$ 2,968,752

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

Exhibit B

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

	Major Fund	Nonmajor Fund	
	General Purpose School	School Federal Projects Fund	Total Governmental Funds
Revenues			
Local Taxes	$ 1,341,755	$ 0	$ 1,341,755
Licenses and Permits	798	0	798
Charges for Current Services	385	0	385
Other Local Revenues	47,478	477	47,955
State of Tennessee	6,260,132	0	6,260,132
Federal Government	260,303	509,574	769,877
Total Revenues	$ 7,910,851	$ 510,051	$ 8,420,902
Expenditures			
Current:			
Instruction	$ 4,580,687	$ 379,646	$ 4,960,333
Support Services	2,760,580	177,025	2,937,605
Operation of Non-Instructional Services	233,361	0	233,361
Capital Outlay	391,772	0	391,772
Debt Service:			
Other Debt Service	245,000	0	245,000
Total Expenditures	$ 8,211,400	$ 556,671	$ 8,768,071
Excess (Deficiency) of Revenues Over Expenditures	$ (300,549)	$ (46,620)	$ (347,169)
Net Change in Fund Balances	$ (300,549)	$ (46,620)	$ (347,169)
Fund Balance, July 1, 2005	2,309,983	61,145	2,371,128
Fund Balance, June 30, 2006	$ 2,009,434	$ 14,525	$ 2,023,959

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

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT
A COMPONENT UNIT OF HARTSVILLE/TROUSDALE COUNTY GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Trousdale County elect its board. The School Department is a component unit of the consolidated Hartsville/Trousdale County Government, the primary government. The School Department is fiscally dependent on the consolidated government because it may not issue debt without consolidated government approval, and its budget and property tax levies are subject to the consolidated government's approval. The School Department's taxes are

levied under the taxing authority of the consolidated government and are included as part of the consolidated government's total tax levy.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers 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.

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

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

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The consolidated government trustee maintains a cash and internal investment pool that is used by the Hartsville/Trousdale County Government and School Department funds, with the exception of the Water and Sewer Fund. Each fund's portion of this pool is displayed on its balance sheet as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the consolidated government's General Fund. Hartsville/Trousdale County Government and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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 uncollected property taxes is equal to 2.28 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. Capital Assets

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

4. Compensated Absences

The School Department does not allow for the accumulation of unused vacation and sick days beyond year-end, except for professional

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

5. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 Hartsville/Trousdale 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, Attendance, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Hartsville/Trousdale 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. Cash Overdraft

The School Federal Projects Fund had a cash overdraft of $3,425 at June 30, 2006. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the consolidated government trustee. The cash overdraft was liquidated subsequent to June 30, 2006.

C. Expenditures Exceeded Appropriations

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

Major Appropriation Category	Amount
Instruction - Regular Instruction Program	$ 79,911
Instruction - Adult Education Program	5,621
Support Services - Regular Instruction Program	15,760
Support Services - Vocational Education Program	26,849
Support Services - Board of Education	322
Support Services - Office of the Principal	4,706

Also, expenditures exceeded appropriations in the Support Services – Special Education Program major appropriation category of the School Federal Projects Fund by $5,692.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance in the General Purpose School Fund and available reserve balance in the School Federal Projects Fund.

D. **The Actual Fund Balance Exceeded the Estimated Beginning Fund Balance by a Material Amount**

The General Purpose School Fund's actual fund balance at July 1, 2005, was $2,309,983; however, the estimated fund balance reflected in the county's budget was $1,844,613. Therefore, the actual fund balance exceeded the estimated fund balance presented to the Hartsville/Trousdale County Commission by $465,370.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hartsville/Trousdale County Government and the School Department participate in an internal cash and investment pool through the Office of Trustee. The trustee is the treasurer of the consolidated government 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.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The

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

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

Investments

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

Investment Balances. As of June 30, 2006, Hartsville/Trousdale County Government had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hartsville/Trousdale County Government and the School Department since both pool their deposits and investments through the trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	$ 247,074

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hartsville/Trousdale County Government has no investment policy that would further limit its investment choices As of June 30, 2006, Hartsville/Trousdale County Government's investment in the State Treasurer's Investment Pool was unrated.

B. Interfund Receivables and Payables

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Purpose School	Nonmajor governmental	$ 1,636
Nonmajor governmental	General Purpose School	1,439
Total		$ 3,075

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government: General	Component unit: Hartsville/Trousdale County Government School Department: General Purpose School	$ 2,320
Total		$ 2,320

IV. OTHER INFORMATION

A. Risk Management

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

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

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

B. Accounting 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 the Hartsville/Trousdale County Government 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 the School Department 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.

At the beginning of the year, the School Department implemented the provisions of GASB Statement No. 47, Accounting for Termination Benefits. 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.

C. Contingent Liabilities

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

D. Retirement Commitments

Plan Description

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

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

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

SCHOOL TEACHERS

Plan Description

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

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hartsville/Trousdale County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hartsville/Trousdale County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were $236,865, $227,015, and $130,035, respectively, equal to the required contributions for each year.

E. Termination Benefits

In August 2005, the Board of Education initiated a voluntary retirement incentive program for certified employees who retire from the system with at least 15 years service with the School Department. This incentive consists of a cash payment of $5 per day for each sick and professional day held by the

employee at their retirement date. During the year, one employee retired and received a payment of $1,452 under this program. The director of schools stated that this program is intended to be an on-going incentive, and there is no limit to the number of accumulated days that employees can be paid under the program. The employees are entitled to this benefit when they formally notify the School Department of their retirement date.

The cost of these termination benefits is normally recognized in the governmental funds when payments are made to retirees. A liability for any unpaid amounts at year end is reported in the governmental funds only to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. In the government-wide financial statements, a liability and expense for these benefits should be recognized when the employee formally notifies the School Department of their intention to retire and the payment amount can be estimated. The costs of any unpaid benefits at year end, if any, based on the discounted total of estimated future benefits at current cost levels, should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements. At June 30, 2006, the School Department had no liability for unpaid termination benefits.

F. Purchasing Law

Office of Director of Schools

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hartsville/ Trousdale County School Department
General Purpose School Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,341,755	$ 1,335,450	$ 1,335,450	$ 6,305
Licenses and Permits	798	700	700	98
Charges for Current Services	385	17,000	17,000	(16,615)
Other Local Revenues	47,478	36,200	36,200	11,278
State of Tennessee	6,260,132	6,209,520	6,209,520	50,612
Federal Government	260,303	266,350	275,739	(15,436)
Total Revenues	$ 7,910,851	$ 7,865,220	$ 7,874,609	$ 36,242
Expenditures				
Instruction				
Regular Instruction Program	$ 3,475,853	$ 3,395,942	$ 3,395,942	$ (79,911)
Special Education Program	734,313	831,222	781,222	46,909
Vocational Education Program	334,761	301,670	380,390	45,629
Adult Education Program	35,760	21,490	30,139	(5,621)
Support Services				
Attendance	64,312	64,890	64,890	578
Health Services	54,920	56,425	56,425	1,505
Other Student Support	190,009	213,600	213,600	23,591
Regular Instruction Program	363,068	341,308	347,308	(15,760)
Special Education Program	116,969	120,960	123,960	6,991
Vocational Education Program	26,849	28,320	0	(26,849)
Adult Programs	32,897	38,320	39,060	6,163
Board of Education	103,347	103,025	103,025	(322)
Director of Schools	127,776	151,082	140,157	12,381
Office of the Principal	489,006	484,300	484,300	(4,706)
Fiscal Services	80,714	57,200	96,730	16,016
Operation of Plant	611,535	619,460	692,710	81,175
Maintenance of Plant	104,418	151,700	151,700	47,282
Transportation	394,760	379,100	398,800	4,040
Operation of Non-Instructional Services				
Food Service	233,361	233,565	233,565	204
Capital Outlay				
Regular Capital Outlay	391,772	734,000	841,279	449,507
Other Debt Service				
Education	245,000	0	245,000	0
Total Expenditures	$ 8,211,400	$ 8,327,579	$ 8,820,202	$ 608,802
Excess (Deficiency) of Revenues Over Expenditures	$ (300,549)	$ (462,359)	$ (945,593)	$ 645,044
Other Financing Sources (Uses)				
Transfers Out	$ 0	$ (245,000)	$ 0	$ 0
Total Other Financing Sources (Uses)	$ 0	$ (245,000)	$ 0	$ 0

(Continued)

Exhibit C

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance	$ (300,549)	$ (707,359)	$ (945,593)	$ 645,044
Fund Balance, July 1, 2005	2,309,983	1,844,613	1,844,613	465,370
Fund Balance, June 30, 2006	$ 2,009,434	$ 1,137,254	$ 899,020	$ 1,110,414

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT
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 Hartsville/Trousdale 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, Attendance, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Hartsville/Trousdale 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 APPROPRIATIONS

Expenditures exceeded appropriations approved by the Hartsville/Trousdale County Commission in the following major appropriation categories (the legal level of control) of the General Purpose School Fund:

Major Appropriation Category	Amount
Instruction - Regular Instruction Program	$ 79,911
Instruction - Adult Education Program	5,621
Support Services - Regular Instruction Program	15,760
Support Services - Vocational Education Program	26,849
Support Services - Board of Education	322
Support Services - Office of the Principal	4,706

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

The General Purpose School Fund's actual fund balance at July 1, 2005, was $2,309,983; however, the estimated fund balance reflected in the county's budget was $1,844,613. Therefore, the actual fund balance exceeded the estimated fund balance presented to the Hartsville/Trousdale County Commission by $465,370.

INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Exhibit D

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hartsville/ Trousdale County School Department
School Federal Projects 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	$ 477	$ 0	$ 0	$ 477
Federal Government	509,574	597,227	597,227	(87,653)
Total Revenues	$ 510,051	$ 597,227	$ 597,227	$ (87,176)
Expenditures				
Instruction				
Regular Instruction Program	$ 183,495	$ 195,790	$ 195,790	$ 12,295
Special Education Program	177,715	198,134	198,134	20,419
Vocational Education Program	18,436	26,879	26,879	8,443
Support Services				
Other Student Support	2,391	7,618	7,618	5,227
Regular Instruction Program	107,689	140,550	140,550	32,861
Special Education Program	45,972	40,280	40,280	(5,692)
Vocational Education Program	0	200	200	200
Transportation	20,973	22,612	22,612	1,639
Total Expenditures	$ 556,671	$ 632,063	$ 632,063	$ 75,392
Excess (Deficiency) of Revenues Over Expenditures	$ (46,620)	$ (34,836)	$ (34,836)	$ (11,784)
Other Financing Sources (Uses)				
Transfers In	$ 0	$ 24,900	$ 0	$ 0
Transfers Out	0	(24,900)	0	0
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0	$ 0
Net Change in Fund Balance	$ (46,620)	$ (34,836)	$ (34,836)	$ (11,784)
Fund Balance, July 1, 2005	61,145	34,836	34,836	26,309
Fund Balance, June 30, 2006	$ 14,525	$ 0	$ 0	$ 14,525

MISCELLANEOUS SCHEDULES

Exhibit E-1

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Hartsville/Trousdale County Government Board of Education	$ 83,542 (1)	(2)	
Employee Blanket Bond Coverage:				
School Employees			$ 150,000	Tennessee School Boards Risk Management Trust

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

Exhibit E-2

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

	General Purpose School	School Federal Projects	Total
Local Taxes			
County Property Taxes			
Current Property Tax	$ 719,183	$ 0	$ 719,183
Discount on Property Taxes	(4,782)	0	(4,782)
Trustee's Collections - Prior Year	54,186	0	54,186
Circuit/Clerk & Master Collections - Prior Years	11,309	0	11,309
Interest and Penalty	9,257	0	9,257
Payments in-Lieu-of Taxes - T.V.A.	149,484	0	149,484
County Local Option Taxes			
Local Option Sales Tax	393,531	0	393,531
Business Tax	7,915	0	7,915
Statutory Local Taxes			
Wholesale Beer Tax	140	0	140
Interstate Telecommunications Tax	1,532	0	1,532
Total Local Taxes	$ 1,341,755	$ 0	$ 1,341,755
Licenses and Permits			
Licenses			
Marriage Licenses	$ 798	$ 0	$ 798
Total Licenses and Permits	$ 798	$ 0	$ 798
Charges for Current Services			
Education Charges			
Tuition - Summer School	$ 385	$ 0	$ 385
Total Charges for Current Services	$ 385	$ 0	$ 385
Other Local Revenues			
Recurring Items			
Miscellaneous Refunds	$ 34,005	$ 477	$ 34,482
Nonrecurring Items			
Insurance Recovery	11,302	0	11,302
Sale of Equipment	2,005	0	2,005
Damages Recovered from Individuals	135	0	135
Contributions & Gifts	31	0	31
Total Other Local Revenues	$ 47,478	$ 477	$ 47,955
State of Tennessee			
State Education Funds			
Basic Education Program	$ 6,119,175	$ 0	$ 6,119,175
School Food Service	7,448	0	7,448
Driver Education	5,009	0	5,009
Other State Education Funds	13,806	0	13,806
Career Ladder Program	66,591	0	66,591
Career Ladder - Extended Contract	48,103	0	48,103
Total State of Tennessee	$ 6,260,132	$ 0	$ 6,260,132
Federal Government			
Federal Through State			
USDA School Lunch Program	$ 197,650	$ 0	$ 197,650
Breakfast	28,448	0	28,448

(Continued)

Exhibit E-2

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

	General Purpose School	School Federal Projects	Total
Federal Government (Cont.)			
Federal Through State (Cont.)			
Adult Education State Grant Program	$ 18,838	$ 0	$ 18,838
Vocational Education - Basic Grants to States	0	38,523	38,523
Title I Grants to Local Education Agencies	0	211,884	211,884
Innovative Education Program Strategies	0	6,484	6,484
Special Education - Grants to States	15,367	197,366	212,733
Special Education Preschool Grants	0	9,148	9,148
Eisenhower Professional Development State Grants	0	39,909	39,909
Other Federal through State	0	6,260	6,260
Total Federal Government	$ 260,303	$ 509,574	$ 769,877
Total	$ 7,910,851	$ 510,051	$ 8,420,902

Exhibit E-3

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

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 2,431,305	
Career Ladder Program	42,500	
Career Ladder Extended Contracts	37,051	
Homebound Teachers	2,615	
Educational Assistants	73,623	
Other Salaries & Wages	17,158	
Certified Substitute Teachers	23,081	
Non-certified Substitute Teachers	27,991	
Social Security	155,387	
State Retirement	136,323	
Medical Insurance	223,324	
Unemployment Compensation	5,500	
Employer Medicare	36,340	
Other Contracted Services	6,587	
Instructional Supplies and Materials	81,799	
Textbooks	109,211	
Other Charges	588	
Regular Instruction Equipment	65,470	
Total Regular Instruction Program		$ 3,475,853
Special Education Program		
Teachers	$ 513,280	
Career Ladder Program	9,000	
Career Ladder Extended Contracts	6,307	
Homebound Teachers	3,818	
Educational Assistants	45,675	
Certified Substitute Teachers	17,945	
Social Security	34,553	
State Retirement	32,266	
Medical Insurance	47,800	
Unemployment Compensation	630	
Employer Medicare	8,081	
Contracts with Other School Systems	11,931	
Other Contracted Services	765	
Instructional Supplies and Materials	2,222	
Other Supplies and Materials	40	
Total Special Education Program		734,313

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)		
Instruction (Cont.)		
Vocational Education Program		
Teachers	$ 259,822	
Career Ladder Program	1,000	
Certified Substitute Teachers	2,100	
Social Security	15,204	
State Retirement	14,345	
Medical Insurance	28,529	
Employer Medicare	3,556	
Instructional Supplies and Materials	10,205	
Total Vocational Education Program		$ 334,761
Adult Education Program		
Teachers	$ 22,304	
Social Security	1,342	
State Retirement	1,329	
Employer Medicare	314	
Instructional Supplies and Materials	7,836	
Other Charges	2,101	
Other Equipment	534	
Total Adult Education Program		35,760
Support Services		
Attendance		
Supervisor/Director	$ 50,941	
Career Ladder Program	1,000	
Social Security	3,192	
State Retirement	2,857	
Employer Medicare	747	
Travel	1,123	
Other Contracted Services	4,452	
Total Attendance		64,312
Health Services		
Medical Personnel	$ 42,918	
Social Security	2,661	
State Retirement	2,672	
Employer Medicare	622	
Other Contracted Services	1,259	
Drugs and Medical Supplies	135	
In Service/Staff Development	75	

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Health Services (Cont.)		
Health Equipment	$ 4,578	
Total Health Services		$ 54,920
Other Student Support		
Career Ladder Program	$ 3,000	
Guidance Personnel	87,543	
Career Ladder Extended Contracts	4,000	
Other Salaries & Wages	31,672	
Social Security	7,617	
State Retirement	5,833	
Medical Insurance	4,563	
Employer Medicare	1,781	
Contracts with Government Agencies	34,141	
Travel	317	
Other Contracted Services	120	
Other Supplies and Materials	7,813	
In Service/Staff Development	225	
Other Charges	750	
Furniture and Fixtures	634	
Total Other Student Support		190,009
Regular Instruction Program		
Supervisor/Director	$ 42,587	
Career Ladder Program	4,500	
Career Ladder Extended Contracts	7,750	
Librarians	133,968	
Instructional Computer Personnel	82,145	
Social Security	15,458	
State Retirement	15,081	
Medical Insurance	29,694	
Employer Medicare	3,615	
Travel	3,014	
Other Contracted Services	3,633	
Library Books/Media	18,412	
In Service/Staff Development	3,156	
Other Charges	55	
Total Regular Instruction Program		363,068

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Special Education Program				
Supervisor/Director	$	50,343		
Psychological Personnel		31,650		
Clerical Personnel		9,344		
Social Security		5,566		
State Retirement		5,106		
Medical Insurance		11,344		
Employer Medicare		1,302		
Travel		2,314		
Total Special Education Program			$	116,969
Vocational Education Program				
Supervisor/Director	$	24,941		
Social Security		1,546		
Employer Medicare		362		
Total Vocational Education Program				26,849
Adult Programs				
Supervisor/Director	$	17,854		
Clerical Personnel		10,090		
Social Security		1,638		
State Retirement		1,626		
Employer Medicare		383		
Travel		579		
Other Charges		727		
Total Adult Programs				32,897
Board of Education				
Secretary to Board	$	1,740		
Board and Committee Members Fees		6,913		
Social Security		495		
State Retirement		96		
Unemployment Compensation		1,557		
Employer Medicare		116		
Dues and Memberships		9,512		
Legal Services		4,733		
Trustee's Commission		35,200		
Workers' Compensation Insurance		39,468		
Refund to Applicant for Criminal Investigation		1,512		
Other Charges		2,005		
Total Board of Education				103,347

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Director of Schools				
County Official/Administrative Officer	$	82,542		
Career Ladder Program		1,000		
Social Security		5,069		
State Retirement		4,595		
Medical Insurance		4,063		
Employer Medicare		1,185		
Communication		14,471		
Travel		1,269		
Other Contracted Services		5,270		
Office Supplies		3,905		
Other Charges		4,407		
Total Director of Schools			$	127,776
Office of the Principal				
Principals	$	181,995		
Career Ladder Program		2,000		
Accountants/Bookkeepers		46,410		
Assistant Principals		132,044		
Secretary(ies)		47,123		
Social Security		25,021		
State Retirement		23,539		
Medical Insurance		24,052		
Employer Medicare		5,852		
Office Supplies		970		
Total Office of the Principal				489,006
Fiscal Services				
Accountants/Bookkeepers	$	56,436		
Other Salaries & Wages		5,844		
Social Security		3,798		
State Retirement		3,601		
Employer Medicare		888		
Travel		60		
Other Contracted Services		6,938		
Office Supplies		1,590		
Other Charges		541		
Administration Equipment		1,018		
Total Fiscal Services				80,714

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Operation of Plant				
Custodial Personnel	$	129,441		
Social Security		8,020		
State Retirement		5,072		
Employer Medicare		1,876		
Rentals		10,021		
Other Contracted Services		17,498		
Custodial Supplies		22,873		
Electricity		227,270		
Natural Gas		90,456		
Water and Sewer		16,500		
Building and Contents Insurance		80,876		
Other Charges		1,632		
Total Operation of Plant			$	611,535
Maintenance of Plant				
Supervisor/Director	$	53,109		
Social Security		3,262		
State Retirement		3,389		
Employer Medicare		763		
Maintenance & Repair Services - Buildings		11,216		
Other Contracted Services		18,236		
Other Supplies and Materials		13,392		
Other Charges		883		
Maintenance Equipment		168		
Total Maintenance of Plant				104,418
Transportation				
Mechanic(s)	$	26,566		
Bus Drivers		171,654		
Other Salaries & Wages		6,725		
Social Security		12,420		
State Retirement		11,781		
Medical Insurance		4,078		
Employer Medicare		2,905		
Maintenance & Repair Services - Vehicles		14,670		
Diesel Fuel		42,459		
Gasoline		3,275		
Lubricants		2,761		
Tires and Tubes		9,819		

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)			
Support Services (Cont.)			
Transportation (Cont.)			
Vehicle Parts	$ 17,670		
In Service/Staff Development	600		
Other Charges	4,752		
Transportation Equipment	62,625		
Total Transportation		$ 394,760	
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 1,835		
Social Security	113		
State Retirement	101		
Employer Medicare	26		
Payments to Schools - Lunch	226,108		
Travel	101		
Other Contracted Services	3,000		
Other Supplies and Materials	327		
In Service/Staff Development	381		
Other Charges	904		
Food Service Equipment	465		
Total Food Service		233,361	
Capital Outlay			
Regular Capital Outlay			
Other Contracted Services	$ 14,260		
Building Improvements	151,637		
Furniture and Fixtures	8,530		
Site Development	196,142		
Other Capital Outlay	21,203		
Total Regular Capital Outlay		391,772	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 245,000		
Total Education		245,000	
Total General Purpose School Fund			$ 8,211,400

(Continued)

Exhibit E-3

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

School Federal Projects Fund				
Instruction				
Regular Instruction Program				
Teachers	$	141,457		
Other Salaries & Wages		636		
Certified Substitute Teachers		450		
Social Security		8,288		
State Retirement		7,780		
Medical Insurance		13,712		
Employer Medicare		1,938		
Tuition		3,099		
Instructional Supplies and Materials		5,979		
Other Supplies and Materials		91		
Regular Instruction Equipment		65		
Total Regular Instruction Program			$	183,495
Special Education Program				
Bus Drivers	$	40		
Educational Assistants		101,596		
Other Salaries & Wages		325		
Certified Substitute Teachers		124		
Social Security		5,963		
State Retirement		5,307		
Employer Medicare		1,395		
Contracts with Private Agencies		58,459		
Tuition		425		
Other Contracted Services		1,200		
Instructional Supplies and Materials		75		
Other Supplies and Materials		2,806		
Total Special Education Program				177,715
Vocational Education Program				
Instructional Supplies and Materials	$	7,676		
Vocational Instruction Equipment		10,760		
Total Vocational Education Program				18,436
Support Services				
Other Student Support				
Travel	$	1,752		
In Service/Staff Development		399		
Other Charges		240		
Total Other Student Support				2,391

(Continued)

Exhibit E-3

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Regular Instruction Program			
Supervisor/Director	$ 68,640		
Social Security	3,915		
State Retirement	3,125		
Medical Insurance	6,667		
Employer Medicare	916		
Travel	75		
In Service/Staff Development	17,043		
Other Charges	689		
Furniture and Fixtures	784		
Other Equipment	5,835		
Total Regular Instruction Program		$ 107,689	
Special Education Program			
Supervisor/Director	$ 7,684		
Psychological Personnel	20,890		
Clerical Personnel	2,668		
Social Security	1,937		
State Retirement	1,742		
Medical Insurance	456		
Employer Medicare	453		
Travel	92		
Other Contracted Services	454		
Other Supplies and Materials	6,177		
In Service/Staff Development	3,419		
Total Special Education Program		45,972	
Transportation			
Other Salaries & Wages	$ 878		
Social Security	54		
State Retirement	54		
Employer Medicare	13		
Contracts with Private Agencies	29		
Contracts with Parents	6,610		
Diesel Fuel	4,218		
Gasoline	9,117		
Total Transportation		20,973	
Total School Federal Projects Fund			$ 556,671
Total Governmental Funds - Hartsville/ Trousdale County School Department			$ 8,768,071

SINGLE AUDIT REPORT

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE

AND

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT 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

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

CHRISTY N. TENNANT, CPA
KELLEY J. McNEAL, CPA, CGFM
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
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 1, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's basic financial statements and have issued our reports thereon dated September 1, 2006. Our reports on the financial statements of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.03, 06.04, 06.05, 06.07(B,C,D,E,F), 06.08, 06.11, 06.12(B), 06.13, 06.14, 06.15, and 06.16.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 06.02, 06.07(C,D), and 06.12(B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.06, 06.07(A), 06.09, 06.10, and 06.12(A,C).

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

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

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/rc

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

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

September 1, 2006

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

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

Compliance

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

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

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

In our opinion, Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.07(C,F), 06.11, 06.16, 06.17, 06.18, and 06.19.

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 06.07(C) and 06.17 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 Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated September 1, 2006. Our reports on the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/rc

Hartsville/Trousdale County Government, Tennessee and the
Hartsville/Trousdale County Government 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:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	$ 38,044
Total Passed-through State Department of Agriculture			$ 38,044
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	$ 28,448
National School Lunch Program	10.555	N/A	197,650
Total Passed-through State Department of Education			$ 226,098
Direct Program:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	$ 53,000
Total U.S. Department of Agriculture			$ 317,142
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	GG-04-10982-00	$ 303,203
Total U.S. Department of Housing and Urban Development			$ 303,203
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(3)	$ 18,838
Title I Grants to Local Education Agencies	84.010	N/A	195,990
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	243,526
Special Education - Preschool Grants	84.173	N/A	6,325
Vocational Education - Basic Grants to States	84.048	N/A	31,983
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	13,405
State Grants for Innovative Programs	84.298	N/A	23,198
Education Technology State Grants	84.318	(2)	4,985
Improving Teacher Quality State Grants	84.367	N/A	52,626
Total U.S. Department of Education			$ 590,876
Total Expenditures of Federal Awards			$ 1,211,221

(Continued)

Hartsville/Trousdale County Government, Tennessee and the
Hartsville/Trousdale County Government School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
State Grants		Contract Number	
Adult Basic Education - State Department of Education	N/A	Z-05-022273-00	$ 1,866
Adult Basic Education - State Department of Education	N/A	Z-06-027826-00	3,142
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Forestry Grant - State Department of Agriculture	N/A	(2)	2,959
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	2,701
Safe Schools Act of '03	N/A	(2)	8,798
Litter Program - State Department of Transportation	N/A	(2)	23,146
Law Enforcement Training - State Department of Public Safety	N/A	(2)	6,743
Aging Programs - State Commission on Aging	N/A	(2)	23,100
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	3,184
Total State Grants			$ 84,639

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

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Z-05-022273-00: $7,018; A-06-027826-00: $11,820.

Hartsville/Trousdale County Government, Tennessee, and the
Hartsville/Trousdale County Government 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 of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department for the year ended June 30, 2005, which have not been corrected.

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT AND THE HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT

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 EXECUTIVE

Finding Number	Page Number	Subject
05.02	15	Actual beginning fund balance of the General Fund exceeded the estimated beginning fund balance by a material amount
05.03	15	Purchase orders were not properly issued
05.04(B)	16	Water/Sewer Department – Some disbursements were not made by prenumbered checks
05.04(E)	17	Water/Sewer Department – Inventories of parts and supplies were not maintained
05.04(F)	17	Water/Sewer Department – Capital assets records were deficient
05.04(G. 3, 4)	18	Water/Sewer Department – Liability accounts were not properly maintained
05.04(H. 1, 2)	19	Water/Sewer Department – The department had purchasing deficiencies

OFFICE OF COUNTY EXECUTIVE (CONT.)

Finding Number	Page Number	Subject
05.04(I)	19	Water/Sewer Department – Duties were not segregated adequately

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
05.05	20	The office did not use purchase orders

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
05.06	21	The office had purchasing deficiencies
05.07	21	The office did not properly maintain its inventory records

OTHER FINDINGS

Finding Number	Page Number	Subject
05.08	22	A central system of accounting, budgeting, and purchasing had not been adopted
05.09	22	Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department.

2. The audit of the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses in the Hartsville/Trousdale County Government, and one of these conditions was considered to be a material weakness in the Hartsville/Trousdale County Government School Department.

3. The audit disclosed one instance of noncompliance that was material to the financial statements of Hartsville/Trousdale County Government, and one instance of noncompliance that was material to the financial statements of the Hartsville/Trousdale County Government School Department.

4. The audit disclosed three reportable conditions in internal control over major programs.

5. An unqualified opinion was issued on compliance for major programs.

6. The audit revealed three findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. Community Development Block Grant/State's Program (CFDA No. 14.228), Title I Grants to Local Education Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.

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

9. Hartsville/Trousdale County Government and Hartsville/Trousdale County Government School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses of the county executive, superintendent of the Water and Sewer Department, and director of schools are 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.

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT AND HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT

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

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

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE AND DIRECTOR OF SCHOOLS (DIRECT QUOTE)

We concur. Hartsville/Trousdale County Government, like most county governments in Tennessee, has traditionally identified and accounted for capital assets for insurance purposes and proprietary reasons only. The government's infrastructure has never been either identified or valued. We have identified, valued and established depreciation schedules for all of Hartsville/Trousdale's County Government's capital assets. We have attempted to do the same for infrastructure, especially the county road and bridge systems. We are still trying to determine the date that these infrastructure assets were placed in service and the historical value of these items. Since we are having a difficult time determining these two items, the County Commission may have to amend the capitalization policy adopted during a prior fiscal year to allow for alternate methods for infrastructure.

We have responded to the Comptroller's survey for our "Implementation Work Plan to Comply with GASB Statement 34" and stated that we intended to have been in compliance by June 30, 2006. The difficulty in determining the historical service date and the historical costs of infrastructure assets will cause the date of compliance to be later than that date.

REBUTTAL

When historical records are inadequate, estimated historical costs and service dates may be used. Historical costs may be estimated by calculating the current replacement costs of a similar asset and deflating these costs through the use of price-level indexes to the estimated acquisition year.

OFFICE OF COUNTY EXECUTIVE

FINDING 06.02 **THE ACTUAL FUND BALANCE OF THE GENERAL FUND EXCEEDED THE ESTIMATED FUND BALANCE BY A MATERIAL AMOUNT**
(Internal Control – Material Weakness Under Government Auditing Standards)

The General Fund's actual fund balance at July 1, 2005, was $1,678,511; however, the estimated fund balance reflected in the county's budget was $1,377,950. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by $300,561.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

Concur with finding.

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

Our examination of purchasing procedures revealed the following deficiencies:

A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

B. In some instances, invoices were not on file to support the purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.

C. Several invoices were paid without documentation that goods had been received or services had been rendered. This practice could result in the county paying for items not received or services not performed. We extended our audit procedures and determined that these goods and services were received.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders in all applicable instances. Invoices should be on file to support all purchases. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

Concur with finding.

FINDING 06.04 **EXPENDITURES WERE MISCLASSIFIED IN THE ACCOUNTING RECORDS OF THE GENERAL FUND**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Several expenditures were coded to accounts that did not reflect the true nature of the transactions. It appears these postings were made in an attempt to keep expenditures within appropriations to avoid the necessity of budget amendments. Audit adjustments have been provided to management to properly classify these expenditures in the financial statements of this report.

RECOMMENDATION

Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions. When necessary, budget amendments should be submitted to the County Commission for consideration and approval.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

Concur with finding.

FINDING 06.05 **THE OFFICE DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

We will order tags to be placed on county inventory and have all offices add the equipment tag number and serial number to their inventory list. We plan to go by each office and take a random inventory check of high priced sensitive items on their inventory list.

FINDING 06.06 **DEFICIENCIES WERE NOTED IN THE OFFICE OF BUILDING INSPECTOR**
(Noncompliance Under Government Auditing Standards)

The consolidated government's building inspector collects fees for issuing building permits, rezoning requests, and subdivision ordinances. Our examination of the collection procedures of the office revealed the following deficiencies:

A. Prenumbered receipts were not issued for some cash collected in the office. The inspector manually numbered the building permits issued by the office and used these permits as receipts instead of issuing official prenumbered receipts for building permit funds collected. Furthermore, the inspector did not issue receipts for rezoning requests or subdivision ordinances. Sections 9-2-103 through 9-2-104, Tennessee Code Annotated (TCA), require officials receiving public funds to issue official prenumbered receipts for all collections.

B. The office did not deposit funds within three days of collection, as required by Section 5-8-207, TCA. This statute requires county officials to deposit all funds within three days of collection.

RECOMMENDATION

The office should issue official prenumbered receipts for all collections and deposit funds within three days of collection, as required by state statutes.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE(DIRECT QUOTE)

We will purchase a pre-numbered receipt book for the Building Inspector's Office to use to receipt all monies that he collects. He will be directed to deposit all receipts with the Trustee's Office within three days.

FINDING 06.07 **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE COUNTY WATER AND SEWER DEPARTMENT**
(A. – Noncompliance Under Government Auditing Standards; B., E. – Internal Control – Reportable Condition Under Government Auditing Standards; C. – Internal Control – Material Weakness Under Government Auditing Standards and OMB Circular A-133; D. – Internal Control – Material Weakness Under Government Auditing Standards; F. – Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

A. Some disbursements were not made by prenumbered checks

Bank transactions of the department were channeled through several bank accounts administered by the water and sewer department. During the year, the department disbursed grant funds totaling $303,203 through one of these accounts with counter checks which were not prenumbered. Section 5-8-207, Tennessee Code Annotated, provides that all funds should be disbursed by official prenumbered checks.

B. Inventories of parts and supplies were not maintained

The department did not maintain an inventory of parts and supplies; however, the department supervisor advised that various parts such as meters, taps, and replacement pipe were maintained in a storage building. The supervisor also stated that the department is in the process of developing an inventory system, but had not completed it as of June 30, 2006. The

omission of this account was not considered material to the financial statements of this report.

C. Capital assets records were deficient

The department reported capital assets and the accompanying accumulated depreciation accounts at June 30, 2006. These capital assets make up a majority of the department's total assets. However, we could not determine if these records were free of material misstatement because the department failed to adequately identify and document capital assets as noted below:

1. The department had not adopted formal written capital assets policies and procedures for the capitalization of assets. Without formal capitalization policies, employees have no guidance concerning capitalization thresholds, depreciation methods and rates, and procedures to identify and track assets.

2. The department's financial records reflected a capital assets balance of $14,912,738 at June 30, 2006; however, the department did not maintain adequate detailed capital assets records to support this balance. Also, the department provided us with a capital assets listing that totaled $14,173,268, a difference of $739,470 from the amount reflected on their financial statements. Department officials were unable to reconcile the difference.

3. The capital assets listing provided by the department did not adequately identify the department's individual assets. Items were described in general terms such as trucks, computers, or plant instead of having individual identifying asset numbers with detailed descriptions that would allow for physical inspections and the verification of specific individual assets.

D. Liability accounts were not properly maintained

1. General ledger payroll liability accounts were not reconciled with subsidiary payroll records. The failure to reconcile general ledger payroll liability accounts with employee payroll deductions resulted in errors and omissions in the reporting and paying of employee deductions. Adjustments were presented to the department to correct these accounts for proper presentation in this report.

2. The department's general ledger reflected $223,665 as Customer Deposits Payable at June 30, 2006. This account represented customer deposits that would be returned upon termination of service. The department could not provide auditors a listing of customers for whom they were holding deposits. The failure of the department to identify individual customer deposits results in a material weakness in internal control over deposits.

E. The department had purchasing deficiencies

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

2. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures by obtaining documentation of goods or services to verify these purchases.

F. Duties were not segregated adequately

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

RECOMMENDATION

Hartsville/Trousdale County Government officials should do the following:

A. All disbursements should be made by official prenumbered checks or warrants.

B. The department should establish policies and procedures for maintaining an inventory of repair parts and supplies. This inventory should be reflected on the accounting records and periodically verified by personnel not involved in the inventory process.

C. Officials should compile and maintain records that properly account for their capital assets. These records should properly identify the capital assets owned by the department, their historical cost, and their related depreciation amounts. Furthermore, the department should establish formal policies and procedures for identification and maintenance of the capital assets. These policies should include capitalization thresholds, salvage values, depreciation methods, and useful lives of assets. This information is necessary to present the department's financial statements in accordance with generally accepted accounting principles.

D. Amounts reflected as liabilities on the general ledger should be reconciled with subsidiary accounts monthly.

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

F. To strengthen internal controls over operations, this office should adequately segregate duties among employees.

MANAGEMENT'S RESPONSE – SUPERINTENDENT OF THE WATER AND SEWER DEPARTMENT (DIRECT QUOTE)

A. Actions have already been taken to have funds deposited and disbursed through Trousdale Bank and Trust account, which is the Water/Sewer regular checking account. All disbursements will now be made with numbered checks. The grant fund accounts have now been closed.

B. An inventory system is in process, and all equipment or parts will be accounted for and tagged with a numbering system. Sample tags have been ordered and supplies will be identified within the next week. All property of the Water/Sewer Department will be tagged and listed and maintained accordingly.

C. Refer to management's response in Finding 06.01.

D. Effective July 1, 2006, office staff changed and payroll/deduction accounts will be reconciled on a monthly basis. Customer deposits payable are presently being identified by use of a software program and appropriate refunds or account credits will be implemented prior to current fiscal year end. This will result in totally eradicating customer deposits on the general ledger.

E. Concur with finding. Efforts are being made to correct purchasing deficiencies.

F. Concur with finding.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 06.08 **A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Highway Superintendent had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the Highway Department 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 06.09 **A COMPLETE COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

The highway superintendent submitted a list of county road names to the County Commission; however, this list did not include the required classification, width of each county road, nor the summary of changes from the prior year. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current approved list of county roads to determine roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes, as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.10 **CASH ON DEPOSIT WITH THE TRUSTEE WAS NOT RECONCILED WITH FUND CASH**
(Noncompliance Under Government Auditing Standards)

The general ledger balance of Cash on Deposit with Trustee was not reconciled with the trustee's reports. When auditors began work in this office in August 2006, the General Purpose School Fund's cash had not been reconciled with the trustee's reports since October 2005, and the School Federal Projects Fund's cash since January 2006. Section 9-2-138, Tennessee Code Annotated, requires officials to reconcile their fund accounts with the records of the county trustee monthly. After auditors requested these reconciliations, the School Department employed a certified public accountant to prepare reconciliations of the school funds with trustee reports.

RECOMMENDATION

Monthly reconciliations should be performed to document that balances on the general ledger are accurate. Variances between general ledger balances and the trustee's records should be identified and corrected promptly.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Due to family health problems the reconciliations were not current. This will be corrected in the future.

FINDING 06.11 **GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY**
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

General ledger payroll liability accounts were not reconciled monthly with payroll reports and payments. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected. Adjustments have been provided management for approval and posting to correctly present these liability accounts in the financial statements of this report.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

These accounts are currently being reconciled and brought into agreement. They will be reconciled in the future.

FINDING 06.12 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A., C. – Noncompliance Under Government Auditing Standards; B. – Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

A. Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Purpose School Fund:

Major Appropriation Category	Amount
Instruction - Regular Instruction Program	$ 79,911
Instruction - Adult Education Program	5,621
Support Services - Regular Instruction Program	15,760
Support Services - Vocational Education Program	26,849
Support Services - Board of Education	322
Support Services - Office of the Principal	4,706

Section 5-9-401, Tennessee Code Annotated (TCA), 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."

B. The General Purpose School Fund's actual fund balance at July 1, 2005, was $2,309,983; however, the estimated fund balance reflected in the county's budget was $1,844,613. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by $465,370.

C. During the year, several budget amendments were posted to the accounting records that had not been submitted to or approved by the Board of Education or the County Commission. Section 5-9-407, TCA, requires the Board of Education's and County Commission's approval for budget amendments that affect a major category. We have properly presented the budget and budget amendments in the financial statements of this report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. The estimate of the beginning fund balance should be made on a more realistic basis to provide government officials with accurate information to base funding decisions. Budget amendments affecting major categories should be approved by the Board of Education and the County Commission.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

A. The over appropriations for Regular Instruction and Support Services in regular instruction program and Vocational Education Program were due to grants administered. Through the year they were not budgeted because of the date applied for and received.

B. Our entire budget is an estimate and not an exact document.

C. From this day forward all budget amendments will be taken to the County Commission.

FINDING 06.13 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

A. Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. Also, in several instances, the office issued purchase orders after the purchases were made. This practice defeats the purpose of issuing the purchase order and makes the purchase order an approval of payment rather than an approval for the purchase.

B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures by obtaining documentation of goods or services to document these purchases.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Purchase orders will be required to be issued for everything. All packing slips will be checked, stamped, and signed in the future.

FINDING 06.14 **THE OFFICE DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Specific inventory documents will be given to all schools requiring serial numbers, Trousdale County sticker numbers, and item descriptions. Logs and spot check lists will be completed by someone other than the one doing the inventory.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.15 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

Concur with this finding.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Concur with finding.

FINDING 06.16 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

Concur with this finding.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Although we have limited resources and personnel we will continue to look for ways to segregate duties and review procedures to insure that records are accurate and entries maintained on a timely basis.

PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Housing and Urban Development:					
Passed-through State Department of Economic and Community Development:					
Community Development Block Grant/ State's Program	06.17	14.228	Circular A-133, Section 500 (c)(3)	Material Weakness in Internal Control (See Finding 06.07(C)) - Capital asset records were deficient. Internal Control - Reportable Condition (See Finding 06.07(F)) - Duties were not adequately segregated.	$ 0
U.S. Department of Education:					
Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies	06.18	84.010	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control (See Finding 06.11) - The School Department did not reconcile payroll liability accounts with subsidiary payroll records	0
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			
U.S. Department of Education:					
Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies	16.19	84.010	Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control (See Finding 06.16) - Duties were not adequately segregated in the Office of Director of Schools.	0
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants Agencies		84.173			

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE, AND HARTSVILLE/TROUSDALE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

There are six audit findings relative to federal awards presented in the current year's Schedule of Findings and Questioned Costs and two audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

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

FINDINGS 06.07(C,F) and 06.17

Contact Person: Jerry Clift

Corrective Action Planned: (06.07(C) and 06.17) The government is in the process of identifying and valuing all government-owned assets, including those owned by the Water/Sewer Department.

(06.07(F) and 06.17) Due to limited resources and personnel, management is not able to properly segregate duties among employees.

Anticipated completion date: (06.07(C) and 06.17) 2006-07

(06.07(F) and 06.17) None

Office of Director of Schools – Corrective Action Plan for Current Year Findings

FINDINGS 06.11 and 06.18

Contact Person: Margaret Oldham

Corrective Action Planned: These accounts are currently being reconciled and brought into agreement. They will be reconciled in the future.

Anticipated completion date: 2006-07

FINDINGS 06.16 and 06.19

Contact Person(s): Margaret Oldham

Corrective Action Planned:	Due to limited resources and personnel, management is not able to properly segregate duties among employees.
Anticipated completion date:	None

County Executive – Summary Schedule of Prior Year Audit Findings

FINDINGS 05.04(A) and 05.10

Government officials channeled all grant funds through the Water/Sewer Department's accounting records for the year ending June 30, 2006.