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# ANNUAL FINANCIAL REPORT HANCOCK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2007



**ANNUAL FINANCIAL REPORT**  
**HANCOCK COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*State Auditors*

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

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## HANCOCK COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Hancock County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2007.

## ***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in seven findings and recommendations, which we have reviewed with Hancock County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

- ◆ On April 25, 2007, the General Fund borrowed \$250,000 from the General Debt Service Fund to provide cash for operations. This note was not retired by June 30, 2007, as required by state statute.
- ◆ The General Fund had a deficit of \$53,376 in the unreserved fund balance account at June 30, 2007. This fund deficit resulted primarily from various budget deficiencies.
- ◆ The office had not established a formal purchase order system and had not developed procurement procedures to ensure that bids were properly solicited.
- ◆ Deficiencies were noted in Ambulance Service operations.

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### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ Execution docket trial balances did not reconcile with cash journal controls.
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## **OTHER FINDINGS**

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

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# INTRODUCTORY SECTION

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Hancock County Officials  
June 30, 2007

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**Officials**

G. Greg Marion, County Mayor  
Clem Seal, Road Superintendent  
Michael Antrican, Director of Schools  
Kenneth Mayes, Trustee  
Wayne Wallen, Assessor of Property  
Wayne Dean, County Clerk  
Bill McMurry, Circuit and General Sessions Courts Clerk  
Judy Trent, Clerk and Master  
Janie Lamb, Register  
Ralph Seal, Sheriff

**Board of County Commissioners**

John Goodman, Chairman	Kenny Lamb
Charles Dunsmore	Claude Lemarr
Hillery Gibson	Junior Martin
Willis Gibson, Jr.	Phillip Nichols
Ed Gulliver	Rufus Presley
Lewis Hopkins, Jr.	Gary Seal
Bobby Johnson, Jr.	Randy White
Lee Johnson, Jr.	

**Board of Education**

David Jones, Chairman	Freddie Mullins
Denny Douglas	Carl Reed
Dennis Holt	Jeff Stapleton
Hugh Livesay	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

August 27, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Hancock County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hancock County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Hancock County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Hancock County Emergency Communications District which should be included to conform with accounting principles generally accepted in the United States of America. The effects

on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Hancock County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Hancock County, Tennessee, at June 30, 2007, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2007, on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The management of Hancock County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison and pension information on pages 59 through 65 are not required parts of the basic financial statements but they do provide 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 Hancock County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Hancock County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Hancock County, Tennessee  
Statement of Net Assets  
June 30, 2007

	<u>Primary Government</u>	<u>Component Unit Hancock County School Department</u>
<u>ASSETS</u>		
Cash	\$ 174	\$ 4,075
Equity in Pooled Cash and Investments	2,671,883	3,153,279
Accounts Receivable	651,933	483
Allowance for Uncollectibles	(101,528)	0
Due from Other Governments	606,271	67,833
Property Taxes Receivable	1,180,867	657,987
Allowance for Uncollectible Property Taxes	(43,778)	(24,287)
Deferred Charges - Debt Issuance Cost	39,500	0
Capital Lease Receivable	6,148,523	0
Capital Assets:		
Assets Not Depreciated:		
Land	370,174	453,176
Construction in Progress	461,362	85,892
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,606,796	12,650,829
Machinery and Equipment	421,294	544,718
Infrastructure	16,261,130	0
Total Assets	<u>\$ 30,274,601</u>	<u>\$ 17,593,985</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 437,338	\$ 118,919
Accrued Payroll	3,742	0
Accrued Interest Payable	165,553	0
Payroll Deductions Payable	286	0
Other Current Liabilities	0	67,077
Deferred Revenue - Current Property Taxes	1,091,698	608,646
Noncurrent Liabilities:		
Due Within One Year	745,091	7,500
Due in More than One Year	18,468,045	37,500
Total Liabilities	<u>\$ 20,911,753</u>	<u>\$ 839,642</u>

(Continued)

Exhibit A

Hancock County, Tennessee  
Statement of Net Assets (Cont.)

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Hancock County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 11,895,572	\$ 0
Invested in Capital Assets	0	13,734,615
Restricted for:		
Solid Waste/Sanitation	97,014	0
Drug Control	62	0
Public Health and Welfare	274,726	0
Highways/Public Works	605,406	0
Debt Service	7,345,882	0
Capital Projects	892,719	0
State and Federal Financial Assistance Programs	0	764,083
Other Purposes	27,482	0
Unrestricted	<u>(11,776,015)</u>	<u>2,255,645</u>
Total Net Assets	<u>\$ 9,362,848</u>	<u>\$ 16,754,343</u>

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

Exhibit B

Hancock County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Governmental	Hancock County School Department
				Total Governmental Activities		
<u>Primary Government:</u>						
Governmental Activities:						
General Government	\$ 375,199	\$ 38,520	\$ 21,293	\$ 0	\$ (315,386)	\$ 0
Finance	306,025	149,147	3,540	0	(153,338)	0
Administration of Justice	233,932	107,492	9,000	0	(117,440)	0
Public Safety	1,461,499	1,160,216	206,643	18,689	(75,951)	0
Public Health and Welfare	1,792,933	1,555,202	174,676	174,206	111,151	0
Social, Cultural, and Recreational Services	125,121	8,118	21,000	0	(96,003)	0
Agricultural and Natural Resources	55,116	0	0	0	(55,116)	0
Other Operations	269,063	0	0	0	(269,063)	0
Highways	2,092,088	17,593	1,284,339	428,678	(361,478)	0
Interest on Long-term Debt	838,171	0	0	0	(838,171)	0
Debt Service	76,120	0	0	0	(76,120)	0
<b>Total Primary Government</b>	<b>\$ 7,625,267</b>	<b>\$ 3,036,288</b>	<b>\$ 1,720,491</b>	<b>\$ 621,573</b>	<b>\$ (2,246,915)</b>	<b>\$ 0</b>
<u>Component Unit:</u>						
Hancock County School Department	\$ 9,377,583	\$ 97,145	\$ 1,824,146	\$ 0	\$ 0	\$ (7,456,292)
<b>Total Component Unit</b>	<b>\$ 9,377,583</b>	<b>\$ 97,145</b>	<b>\$ 1,824,146</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (7,456,292)</b>

(Continued)

Exhibit B

Hancock County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Government	Hancock County School Department
				Total Governmental Activities		
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 906,262	\$ 597,611	
Property Taxes Levied for Debt Service				171,861	0	
Local Option Sales Taxes				51,824	199,363	
Other Local Taxes				110,215	62,244	
Grants and Contributions Not Restricted to Specific Programs				1,323,549	6,226,770	
Unrestricted Investment Income				325,367	4,983	
Miscellaneous				10,797	53,838	
Total General Revenues				<u>\$ 2,899,875</u>	<u>\$ 7,144,809</u>	
Change in Net Assets				\$ 652,960	\$ (311,483)	
Net Assets, July 1, 2006				<u>8,709,888</u>	<u>17,065,826</u>	
Net Assets, June 30, 2007				<u><u>\$ 9,362,848</u></u>	<u><u>\$ 16,754,343</u></u>	

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

Exhibit C-1

Hancock County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 174	\$ 174
Equity in Pooled Cash and Investments	252,870	33,659	380,821	1,013,544	990,989	2,671,883
Accounts Receivable	262,362	230,054	1,231	152,459	5,827	651,933
Allowance for Uncollectibles	(101,528)	0	0	0	0	(101,528)
Due from Other Governments	255,941	0	347,526	53	2,751	606,271
Due from Other Funds	174	0	0	250,000	0	250,174
Property Taxes Receivable	741,630	0	0	188,307	250,930	1,180,867
Allowance for Uncollectible Property Taxes	(27,400)	0	0	(7,039)	(9,339)	(43,778)
Capital Leases Receivable	0	0	0	6,148,523	0	6,148,523
Total Assets	\$ 1,384,049	\$ 263,713	\$ 729,578	\$ 7,745,847	\$ 1,241,332	\$ 11,364,519

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable	\$ 250,941	\$ 357	\$ 117,399	\$ 60,513	\$ 8,128	\$ 437,338
Accrued Payroll	3,742	0	0	0	0	3,742
Payroll Deductions Payable	286	0	0	0	0	286
Due to Other Funds	250,000	0	0	0	174	250,174
Deferred Revenue - Current Property Taxes	685,934	0	0	173,899	231,865	1,091,698
Deferred Revenue - Delinquent Property Taxes	27,493	0	0	7,160	9,450	44,103
Other Deferred Revenues	191,547	136,194	106,878	6,248,541	292	6,683,452
Total Liabilities	\$ 1,409,943	\$ 136,551	\$ 224,277	\$ 6,490,113	\$ 249,909	\$ 8,510,793

Fund Balances

Reserved for Encumbrances	\$ 0	\$ 0	\$ 6,327	\$ 0	\$ 6,419	\$ 12,746
Reserved for Sexual Offender Registration	725	0	0	0	0	725
Reserved for Computer System - Register	12,393	0	0	0	0	12,393
Reserved for Automation Purposes - Circuit Court	352	0	0	0	0	352
Reserved for Automation Purposes - General Sessions Court	4,944	0	0	0	0	4,944
Reserved for Automation Purposes - Chancery Court	1,094	0	0	0	0	1,094
Other Federal Reserves	7,064	0	0	0	3,387	10,451

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Other General Purposes	\$ 910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 910
Unreserved, Reported In:						
General Fund (Deficit)	(53,376)	0	0	0	0	(53,376)
Special Revenue Funds	0	127,162	498,974	0	98,704	724,840
Debt Service Funds	0	0	0	1,255,734	0	1,255,734
Capital Projects Funds	0	0	0	0	882,913	882,913
Total Fund Balances	<u>\$ (25,894)</u>	<u>\$ 127,162</u>	<u>\$ 505,301</u>	<u>\$ 1,255,734</u>	<u>\$ 991,423</u>	<u>\$ 2,853,726</u>
Total Liabilities and Fund Balances	<u>\$ 1,384,049</u>	<u>\$ 263,713</u>	<u>\$ 729,578</u>	<u>\$ 7,745,847</u>	<u>\$ 1,241,332</u>	<u>\$ 11,364,519</u>

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

Exhibit C-2

Hancock County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,853,726
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	370,174	
Add: construction in progress		461,362	
Add: buildings and improvements net of accumulated depreciation		1,606,796	
Add: machinery and equipment net of accumulated depreciation		421,294	
Add: infrastructure net of accumulated depreciation		<u>16,261,130</u>	19,120,756
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(79,933)	
Less: other loans payable		(13,092,570)	
Less: capital leases payable		(37,206)	
Less: bonds payable		(5,791,079)	
Add: deferred charges - debt issuance costs		39,500	
Less: compensated absences payable		(50,699)	
Less: landfill closure/postclosure care costs		(161,649)	
Less: accrued interest on bonds, notes, and capital leases		<u>(165,553)</u>	(19,339,189)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>6,727,555</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>9,362,848</u></u>

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

Exhibit C-3

Hancock County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds				Nonmajor	Total
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 838,445	\$ 0	\$ 0	\$ 166,199	\$ 231,980	\$ 1,236,624
Fines, Forfeitures, and Penalties	43,980	0	0	0	0	43,980
Charges for Current Services	426,931	913,318	0	0	9,880	1,350,129
Other Local Revenues	130,360	0	17,593	325,367	0	473,320
Fees Received from County Officials	242,046	0	0	0	0	242,046
State of Tennessee	1,356,872	0	1,717,915	40	4,137	3,078,964
Federal Government	228,686	0	0	0	179,708	408,394
Other Governments and Citizens Groups	69,873	0	0	1,435,205	0	1,505,078
<b>Total Revenues</b>	<b>\$ 3,337,193</b>	<b>\$ 913,318</b>	<b>\$ 1,735,508</b>	<b>\$ 1,926,811</b>	<b>\$ 425,705</b>	<b>\$ 8,338,535</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 380,590	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380,590
Finance	306,025	0	0	0	0	306,025
Administration of Justice	233,932	0	0	0	0	233,932
Public Safety	1,372,263	0	0	0	400	1,372,663
Public Health and Welfare	605,678	872,388	0	0	269,048	1,747,114
Social, Cultural, and Recreational Services	118,621	0	0	0	0	118,621
Agricultural and Natural Resources	55,116	0	0	0	0	55,116
Other Operations	253,179	0	0	0	0	253,179
Highways	0	0	1,688,067	0	0	1,688,067
Debt Service:						
Principal on Debt	78,023	0	0	642,523	0	720,546
Interest on Debt	6,670	0	0	839,022	0	845,692
Other Debt Service	697	0	0	73,223	0	73,920
Capital Projects	0	0	0	0	306,196	306,196
<b>Total Expenditures</b>	<b>\$ 3,410,794</b>	<b>\$ 872,388</b>	<b>\$ 1,688,067</b>	<b>\$ 1,554,768</b>	<b>\$ 575,644</b>	<b>\$ 8,101,661</b>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (73,601)	\$ 40,930	\$ 47,441	\$ 372,043	\$ (149,939)	\$ 236,874

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225,000	\$ 225,000
Insurance Recovery	1,000	0	0	0	1,200	2,200
Transfers In	0	0	0	0	44,000	44,000
Transfers Out	(44,000)	0	0	0	0	(44,000)
Total Other Financing Sources (Uses)	\$ (43,000)	\$ 0	\$ 0	\$ 0	\$ 270,200	\$ 227,200
Net Change in Fund Balances	\$ (116,601)	\$ 40,930	\$ 47,441	\$ 372,043	\$ 120,261	\$ 464,074
Fund Balance, July 1, 2006	90,707	86,232	457,860	883,691	871,162	2,389,652
Fund Balance, June 30, 2007	\$ (25,894)	\$ 127,162	\$ 505,301	\$ 1,255,734	\$ 991,423	\$ 2,853,726

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

Exhibit C-4

Hancock County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 464,074
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 482,223	
Less: current year depreciation expense	<u>(741,867)</u>	(259,644)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 6,727,555	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(6,787,863)</u>	(60,308)
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt related items:</p>		
Less: bond proceeds	\$ (225,000)	
Less: change in deferred debt issuance costs	(2,200)	
Add: principal payment on bonds	271,190	
Add: principal payment on notes	60,616	
Add: principal payment on other loans	353,000	
Add: principal payment on capital leases	<u>35,740</u>	493,346
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 7,521	
Change in compensated absences	6,920	
Change in landfill closure/postclosure care costs	<u>1,051</u>	15,492
Change in net assets of governmental activities (Exhibit B)		<u>\$ 652,960</u>

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

Exhibit D

Hancock County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 364,436
Equity in Pooled Cash and Investments	97,963
Accounts Receivable	5,009
Due from Other Governments	24,155
Prepaid Items	<u>2,075</u>
Total Assets	<u>\$ 493,638</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 914
Due to State of Tennessee	34,936
Due to Other Taxing Units	93,352
Due to Litigants, Heirs, and Others	<u>364,436</u>
Total Liabilities	<u>\$ 493,638</u>

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

**HANCOCK COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

Hancock County is a public municipal corporation governed by an elected 15-member board. As required by GAAP, these financial statements present Hancock County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

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

The Hancock County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hancock County, and the Hancock County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Hancock County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Hancock County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Hancock County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Hancock County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Hancock County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Hancock County Emergency Communications District  
P.O. Box 347  
Sneedville, TN 37869

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Hancock County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hancock County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other

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

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Hancock County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

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

amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Hancock County reports the following major governmental funds:

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

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

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

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

Additionally, Hancock County reports the following fund types:

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

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

The discretely presented Hancock County School Department reports the following major governmental funds:

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

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

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

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

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

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

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Hancock County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Hancock County and the Hancock County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are

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

## **2. Receivables and Payables**

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to two 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. Claims and judgments payable of the discretely presented School Department totaling \$45,000 are discussed in Note IV.F.

**3. Prepaid Items**

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

**4. Capital Assets**

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

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

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

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

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Machinery and Equipment	5-15
Infrastructure:	
Roads	40
Bridges	40

**5. Compensated Absences**

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

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

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. 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. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not

withheld from the actual debt proceeds received, are reported as debt services expenditures.

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

## **7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding 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.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$27,482, with the primary restrictions being for computer systems for various offices (\$18,783), unexpended federal grant proceeds (\$7,064), and drug court (\$910). For the discretely presented School Department, the account balance in Restricted for State and Federal Assistance Programs consists of various restrictions totaling \$764,083, with the primary restrictions being for: State BEP nonclassroom funds (\$537,077), the Title I program (\$21,224), the special education program (\$24,258), and the school lunch and breakfast programs (\$116,282).

As of June 30, 2007, Hancock County had \$11,741,047 in outstanding debt for capital purposes for the discretely presented Hancock County School Department. This debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the Hancock County School Department. Therefore, Hancock County

has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

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

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

#### Primary Government

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

#### Discretely Presented Hancock County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

#### Primary Government

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

#### Discretely Presented Hancock County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, County Mayor/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

#### B. A Tax Anticipation Note Was Not Retired in Compliance with State Statute

On April 25, 2007, the General Fund borrowed \$250,000 from the General Debt Service Fund to provide cash for operations in anticipation of tax collections. This note was not retired by June 30, 2007, as required by Section 9-21-801, Tennessee Code Annotated. This note has been reflected in the financial statements of this report as Due from Other Funds in the General Fund and Due to Other Funds in the General Debt Service Fund.

#### C. Fund Deficit

The General Fund had a deficit undesignated fund balance of \$53,376 at June 30, 2007. This deficit resulted primarily from various deficiencies in budget operations.

**D. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Jail and General Government Other Debt Service major appropriation categories (the legal level of control) of the General Fund by \$163,953 and \$697, respectively. Such overexpenditures are violations of state statute.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

**Investments**

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

or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2007.

**B. Lease Receivable**

The General Debt Service Fund has a lease receivable totaling \$6,148,523 at June 30, 2007. This lease receivable resulted from an agreement entered into by Hancock County and Wellmont Health System (Wellmont) to operate the hospital facility through 2028. Hancock County completed construction of a new hospital facility during the 2004-05 year and financed the facility through long-term debt issues and federal grants. A major portion of that financing was provided through a \$6,000,000 general obligation bond issue by the county. Wellmont is required to pay the county lease payments that are equal to the amount of debt service requirements on the outstanding \$6,000,000 bond issue. In addition to the original \$6,000,000 issue, the county has issued a \$300,000 bond and a variable rate other loan of which \$707,534 was used for hospital construction. Presently Wellmont is providing funding for the retirement of all three debt issues associated with the hospital construction. Therefore, the amount recognized as a lease receivable is equal to the county's debt of which Wellmont is presently retiring. Wellmont has an option to purchase the facility for the then current fair market value upon the final payment of all outstanding amounts on the bonds. Wellmont also has the option to retire the bonds in accordance with the terms thereof at any time while the agreement is in effect.

The county's debt associated with the construction of the hospital which Wellmont is presently retiring and upon which the lease payments are determined was as follows:

	Balance 7-1-06	Retired	Balance 6-30-07
Hospital Bond (A)	\$ 5,520,000	\$ 240,000	\$ 5,280,000
Hospital Bond (B)	240,000	30,000	210,000
Other Loans Payable	683,292	24,769	658,523
<b>Total</b>	<b>\$ 6,443,292</b>	<b>\$ 294,769</b>	<b>\$ 6,148,523</b>

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

In the financial statements of the General Debt Service Fund, revenues of \$698,167 have been recognized from Wellmont during the year. This amount includes \$553,413 current payments under the agreement, \$50,000 as reimbursement of prior year EMS subsidy, and \$94,754 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility including interest.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 370,174	\$ 0	\$ 0	\$ 370,174
Construction in Progress	21,397	439,965	0	461,362
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 391,571</b>	<b>\$ 439,965</b>	<b>\$ 0</b>	<b>\$ 831,536</b>

**Governmental Activities: (Cont.)**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets				
Depreciated:				
Buildings and Improvements	\$ 3,101,255	\$ 0	\$ 0	\$ 3,101,255
Machinery and Equipment	1,941,651	42,258	15,196	1,968,713
Infrastructure	21,167,667	0	0	21,167,667
Total Capital Assets				
Depreciated	<u>\$ 26,210,573</u>	<u>\$ 42,258</u>	<u>\$ 15,196</u>	<u>\$ 26,237,635</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,420,071	\$ 74,388	\$ 0	\$ 1,494,459
Machinery and Equipment	1,422,846	139,769	15,196	1,547,419
Infrastructure	4,378,827	527,710	0	4,906,537
Total Accumulated Depreciation	<u>\$ 7,221,744</u>	<u>\$ 741,867</u>	<u>\$ 15,196</u>	<u>\$ 7,948,415</u>
Total Capital Assets Depreciated, Net	<u>\$ 18,988,829</u>	<u>\$ (699,609)</u>	<u>\$ 0</u>	<u>\$ 18,289,220</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,380,400</u>	<u>\$ (259,644)</u>	<u>\$ 0</u>	<u>\$ 19,120,756</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Public Safety	\$ 88,604
Public Health and Welfare	48,070
Social, Cultural, and Recreational Services	6,500
Other Operations	25,042
Highway/Public Works	<u>573,651</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 741,867</u>

**Discretely Presented Hancock County School Department**

**Governmental Activities:**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 453,176	\$ 0	\$ 0	\$ 453,176
Construction in Progress	154,708	85,892	154,708	85,892
Total Capital Assets Not Depreciated	<u>\$ 607,884</u>	<u>\$ 85,892</u>	<u>\$ 154,708</u>	<u>\$ 539,068</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,996,554	\$ 301,201	\$ 0	\$ 15,297,755
Machinery and Equipment	997,996	194,974	0	1,192,970
Other Capital Assets	36,355	0	36,355	0
Total Capital Assets Depreciated	<u>\$ 16,030,905</u>	<u>\$ 496,175</u>	<u>\$ 36,355</u>	<u>\$ 16,490,725</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,247,904	\$ 399,022	\$ 0	\$ 2,646,926
Machinery and Equipment	533,759	114,493	0	648,252
Other Capital Assets	441	0	441	0
Total Accumulated Depreciation	<u>\$ 2,782,104</u>	<u>\$ 513,515</u>	<u>\$ 441</u>	<u>\$ 3,295,178</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,248,801</u>	<u>\$ (17,340)</u>	<u>\$ 35,914</u>	<u>\$ 13,195,547</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,856,685</u>	<u>\$ 68,552</u>	<u>\$ 190,622</u>	<u>\$ 13,734,615</u>

Depreciation expense was charged to functions of the discretely presented Hancock County School Department as follows:

Governmental Activities:

Instruction	\$ 398,581
Support Services	93,575
Operation of Non-Instructional Services	<u>21,359</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 513,515</u>

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 174
Discretely Presented School Department:		
Nonmajor Governmental	General Purpose School	1,503

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

**Interfund loans to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	General	\$ 250,000

The \$250,000 due to the General Debt Service Fund from the General Fund resulted from a tax anticipation note that the General Fund was unable to repay by June 30, 2007. See Note IV.G.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In Nonmajor Governmental Funds</u>
General Fund	\$ 44,000
Total	<u>\$ 44,000</u>

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

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 38,731
Total Minimum Lease Payments	\$ 38,731
Amount Representing Interest	<u>(1,525)</u>
Present Value of Minimum Lease Payments	<u>\$ 37,206</u>

**F. Long-term Debt**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, other loans have been issued to refund other general obligation bonds.

Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to three years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2007, will be retired from the General Fund and the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	4.17 to 4.45%	\$ 119,899	\$ 79,933
Other Loans	Variable	14,595,000	13,092,570
Capital Leases	4.1	146,010	37,206
General Obligation Bonds	4.25 to 5.6	6,610,000	5,791,079

In prior years, Hancock County entered into three loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make \$12,000,000, \$945,000, and \$1,650,000 available for loan to Hancock County on an as-needed basis to finance the school building program, to refinance the outstanding jail construction bonds, and to finance school capital projects and hospital building projects, respectively. Hancock County has borrowed the entire amount of these loans. These loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2007, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates as of 6-30-07	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan Program (1997)	\$ 12,000,000	\$ 11,150,000	Variable	3.89 %	0.44 %
Refunding Issue Loan Program (2002)	945,000	693,000	Variable	3.87	0.68
School Construction and Hospital Equipment Loan Program (2005)	1,650,000	<u>1,249,570</u>	Variable	3.87	0.41
Total		<u>\$ 13,092,570</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 273,697	\$ 322,969	\$ 39,966	\$ 3,454
2009	273,863	307,776	39,967	1,727
2010	274,037	293,343	0	0
2011	274,219	277,369	0	0
2012	274,408	262,154	0	0
2013-2017	1,285,204	1,087,020	0	0
2018-2022	1,231,408	736,097	0	0
2023-2027	1,239,149	387,092	0	0
2028-2032	528,808	77,497	0	0
2033-2037	55,771	24,697	0	0
2038-2042	47,212	13,429	0	0
2043-2045	33,303	2,898	0	0
Total	<u>\$ 5,791,079</u>	<u>\$ 3,792,341</u>	<u>\$ 79,933</u>	<u>\$ 5,181</u>

Year Ending June 30	Other Loan (\$12,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 270,000	\$ 433,735	\$ 48,965	\$ 752,700
2009	300,000	423,232	47,779	771,011
2010	330,000	411,562	46,462	788,024
2011	360,000	398,725	45,013	803,738
2012	380,000	384,721	43,432	808,153
2013-2017	2,340,000	1,680,480	189,712	4,210,192
2018-2022	3,165,000	1,161,359	131,107	4,457,466
2023-2027	4,005,000	480,610	54,256	4,539,866
<b>Total</b>	<b>\$ 11,150,000</b>	<b>\$ 5,374,424</b>	<b>\$ 606,726</b>	<b>\$ 17,131,150</b>

Year Ending June 30	Other Loan (\$945,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 58,000	\$ 26,819	\$ 4,693	\$ 89,512
2009	60,000	24,574	4,300	88,874
2010	62,000	22,252	3,894	88,146
2011	65,000	19,853	3,474	88,327
2012	68,000	17,338	3,034	88,372
2013-2017	380,000	45,279	7,923	433,202
<b>Total</b>	<b>\$ 693,000</b>	<b>\$ 156,115</b>	<b>\$ 27,318</b>	<b>\$ 876,433</b>

Year Ending June 30	Other Loan (\$1,650,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 48,000	\$ 48,358	\$ 5,144	\$ 101,502
2009	49,000	46,501	4,946	100,447
2010	50,000	44,604	4,744	99,348
2011	52,000	42,669	4,538	99,207
2012	53,000	40,657	4,324	97,981
2013-2017	286,000	171,475	18,239	475,714
2018-2022	324,000	113,192	12,040	449,232
2023-2027	367,000	47,247	5,025	419,272
2028	20,570	796	85	21,451
<b>Total</b>	<b>\$ 1,249,570</b>	<b>\$ 555,499</b>	<b>\$ 59,085</b>	<b>\$ 1,864,154</b>

There is \$1,255,734 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$859, based on the 2000

federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$2,820, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, July 1, 2006	\$ 5,837,269	\$ 140,549	\$ 72,946
Additions	225,000	0	0
Deductions	<u>(271,190)</u>	<u>(60,616)</u>	<u>(35,740)</u>
Balance, June 30, 2007	<u>\$ 5,791,079</u>	<u>\$ 79,933</u>	<u>\$ 37,206</u>
Balance Due Within One Year	<u>\$ 273,697</u>	<u>\$ 39,966</u>	<u>\$ 37,206</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	Landfill Closure/ Postclosure Care Cost	Other Loans	Compensated Absences
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance, July 1, 2006	\$ 162,700	\$ 13,445,570	\$ 57,620
Additions	6,697	0	4,408
Deductions	<u>(7,748)</u>	<u>(353,000)</u>	<u>(11,329)</u>
Balance, June 30, 2007	<u>\$ 161,649</u>	<u>\$ 13,092,570</u>	<u>\$ 50,699</u>
Balance Due Within One Year	<u>\$ 8,082</u>	<u>\$ 376,000</u>	<u>\$ 10,140</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 19,213,136
Less: Balance Due Within One Year	<u>(745,091)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 18,468,045</u>

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

**Discretely Presented Hancock County School Department**

**Changes in Long-term Liabilities**

Long-term liability activity for the discretely presented Hancock County School Department for the year ended June 30, 2007, was as follows:

Governmental Activities:	<b>Claims and Judgments Payable</b>
	<hr/>
Balance, July 1, 2006	\$ 52,500
Deductions	<u>(7,500)</u>
Balance, June 30, 2007	<u>\$ 45,000</u>
Balance Due Within One Year	<u><u>\$ 7,500</u></u>

**Analysis of Noncurrent Liabilities Presented on Exhibit A:**

Total Noncurrent Liabilities, June 30, 2007	\$ 45,000
Less: Balance Due Within One Year	<u>(7,500)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u><u>\$ 37,500</u></u>

A judgment of \$75,000 was assessed against the School Department related to a lawsuit filed by an employee for a work related injury. The judgment is to be paid over a ten-year period with interest of six percent. The remaining balance of the claims and judgments payable outstanding at June 30, 2007, will be retired from the General Purpose School Fund.

**G. Short-term Debt**

Hancock County issued tax anticipation notes to provide temporary operating funds for the General Fund. These notes were necessary because the cash balance was not sufficient to meet current operations. These notes were not retired prior to June 30, 2007, as required by state statutes, and therefore have been reflected in the financial statements of the individual governmental funds of this report as due to/from other funds. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06		Issued	Redeemed	Balance 6-30-07	
Tax Anticipation Notes	\$	0	\$ 500,000	\$ 250,000	\$	250,000

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

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

#### Discretely Presented Hancock County School Department

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

### B. Accounting Change

At the beginning of the year, Hancock County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the county had elected only to implement the provisions of Statement 34 that related to the fund financial statements.

### C. Contingent Liabilities

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

Findings and Questioned Costs section of the Single Audit Report for the year ended June 30, 2006, for Hancock County. The ultimate determination as to the allowability of these costs will be made by the grantor.

Hancock County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts. This lawsuit applies to all of Hancock County facilities. As a result of the lawsuit, Hancock County installed an elevator in the courthouse during the year ended June 30, 2007. The county attorney estimates that the county's risk of exposure to monetary damages from this suit will be minimal. The county is also involved in other pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**D. Changes in Administration**

On August 31, 2006, Melissa Bell left the Office of Register and was succeeded by Janie Lamb. On September 30, 2006, Scott Collins left the Office of Clerk and Master and was succeeded by Judy Trent.

**E. Landfill Closure/Postclosure Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Hancock County has stopped accepting waste and has placed the final cover on its landfill. The \$161,649 reported as postclosure care liability as of June 30, 2007, represents the estimated postclosure care cost for the next 20 years. The postclosure care is based on what it would cost to perform all postclosure care in 2007. Therefore, annual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between district attorney general of the Third Judicial District; Greene, Hamblen, Hancock and Hawkins counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2007, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. Jointly Governed Organizations**

**Primary Government**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Coker, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors/executives of each county or the county mayor's/executive's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center manager as an ex-officio member, is in charge of daily operations of the center.

**Discretely Presented Hancock County School Department**

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

## H. Retirement Commitments

### Employees

#### **Plan Description**

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

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

#### **Funding Policy**

Hancock County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 6.09 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hancock County is established and may be amended by the TCRS Board of Trustees.

#### **Annual Pension Cost**

For the year ended June 30, 2007, Hancock County's annual pension cost of \$32,990 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method.

Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hancock County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$32,990	100%	\$0
6-30-06	18,345	100	0
6-30-05	17,493	100	0

### **School Teachers**

#### **Plan Description**

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

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

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hancock County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Hancock County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$271,166, \$231,327, and \$232,789, respectively, equal to the required contributions for each year.

### **I. Purchasing Laws**

#### Office of County Mayor

Purchasing procedures for the Hancock County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

#### Office of Road Superintendent

Chapter 149, Private Acts of 1941, as amended, and Section 54-7-113, TCA (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

#### Office of Director of Schools

Purchasing procedures for the discretely presented Hancock County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provide for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 838,445	\$ 795,500	\$ 826,650	\$ 11,795
Fines, Forfeitures, and Penalties	43,980	31,100	31,100	12,880
Charges for Current Services	426,931	519,100	519,100	(92,169)
Other Local Revenues	130,360	136,000	140,200	(9,840)
Fees Received from County Officials	242,046	209,800	209,800	32,246
State of Tennessee	1,356,872	1,372,262	1,434,163	(77,291)
Federal Government	228,686	214,278	225,324	3,362
Other Governments and Citizens Groups	69,873	70,000	70,000	(127)
<b>Total Revenues</b>	<b>\$ 3,337,193</b>	<b>\$ 3,348,040</b>	<b>\$ 3,456,337</b>	<b>\$ (119,144)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 30,721	\$ 22,175	\$ 33,475	\$ 2,754
County Mayor/Executive	125,708	126,493	134,193	8,485
County Attorney	15,191	15,000	15,200	9
Election Commission	83,880	90,052	94,965	11,085
Register of Deeds	78,257	76,766	80,166	1,909
County Buildings	46,833	54,000	56,100	9,267
<u>Finance</u>				
Property Assessor's Office	77,860	79,669	79,669	1,809
Reappraisal Program	8,768	7,875	9,175	407
County Trustee's Office	82,287	81,813	83,188	901
County Clerk's Office	101,713	106,373	106,374	4,661
Other Finance	35,397	39,000	37,625	2,228
<u>Administration of Justice</u>				
Circuit Court	92,107	106,594	106,594	14,487
General Sessions Court	60,097	63,148	63,148	3,051
Chancery Court	71,708	73,619	73,619	1,911
District Attorney General	10,020	16,000	16,000	5,980
<u>Public Safety</u>				
Sheriff's Department	375,951	396,408	382,108	6,157
Jail	851,092	612,981	687,139	(163,953)
Juvenile Services	39,897	43,107	43,107	3,210
Commissary	45,345	45,345	45,345	0
Civil Defense	27,144	23,718	27,893	749
Rescue Squad	1,361	0	1,400	39
Other Emergency Management	19,046	32,900	32,900	13,854
County Coroner/Medical Examiner	11,234	1,935	11,235	1
Other Public Safety	1,193	1,000	1,200	7
<u>Public Health and Welfare</u>				
Local Health Center	18,900	19,400	19,400	500
Ambulance/Emergency Medical Services	548,551	464,896	553,396	4,845
Dental Health Program	0	13,000	13,000	13,000

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Alcohol and Drug Programs	\$ 2,228	\$ 5,790	\$ 5,790	\$ 3,562
Crippled Children Services	415	415	415	0
Other Local Health Services	3,454	113,700	113,700	110,246
Sanitation Management	29,194	29,237	29,237	43
Other Public Health and Welfare	2,936	10,000	10,000	7,064
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	6,967	6,319	6,969	2
Libraries	46,438	46,878	46,878	440
Other Social, Cultural, and Recreational	65,216	70,852	70,852	5,636
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	45,512	48,540	48,540	3,028
Soil Conservation	9,604	10,552	10,552	948
<u>Other Operations</u>				
Public Transportation	216,344	222,219	230,395	14,051
Veterans' Services	6,965	7,119	7,119	154
Employee Benefits	29,870	30,050	30,050	180
<u>Principal on Debt</u>				
General Government	78,023	89,102	81,015	2,992
<u>Interest on Debt</u>				
General Government	6,670	0	8,087	1,417
<u>Other Debt Service</u>				
General Government	697	0	0	(697)
Total Expenditures	\$ 3,410,794	\$ 3,304,040	\$ 3,507,213	\$ 96,419
Excess (Deficiency) of Revenues Over Expenditures				
	\$ (73,601)	\$ 44,000	\$ (50,876)	\$ (22,725)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,000	\$ 0	\$ 0	\$ 1,000
Transfers Out	(44,000)	(44,000)	(44,000)	0
Total Other Financing Sources (Uses)	\$ (43,000)	\$ (44,000)	\$ (44,000)	\$ 1,000
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ (116,601)	\$ 0	\$ (94,876)	\$ (21,725)
	90,707	90,707	90,707	0
Fund Balance, June 30, 2007	\$ (25,894)	\$ 90,707	\$ (4,169)	\$ (21,725)

Exhibit E-2

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Other Special Revenue Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 913,318	\$ 983,000	\$ 983,000	\$ (69,682)
Total Revenues	\$ 913,318	\$ 983,000	\$ 983,000	\$ (69,682)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 872,388	\$ 983,000	\$ 983,000	\$ 110,612
Total Expenditures	\$ 872,388	\$ 983,000	\$ 983,000	\$ 110,612
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,930	\$ 0	\$ 0	\$ 40,930
Net Change in Fund Balance	\$ 40,930	\$ 0	\$ 0	\$ 40,930
Fund Balance, July 1, 2006	86,232	86,232	86,232	0
Fund Balance, June 30, 2007	\$ 127,162	\$ 86,232	\$ 86,232	\$ 40,930

Exhibit E-3

Hancock County, 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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 17,593	\$ 0	\$ 17,593	\$ 0	\$ 0	\$ 17,593
State of Tennessee	1,717,915	0	1,717,915	1,249,197	1,677,875	40,040
Total Revenues	<u>\$ 1,735,508</u>	<u>\$ 0</u>	<u>\$ 1,735,508</u>	<u>\$ 1,249,197</u>	<u>\$ 1,677,875</u>	<u>\$ 57,633</u>
<u>Expenditures</u>						
<u>Finance</u>						
Data Processing	\$ 0	\$ 0	\$ 0	\$ 6,000	\$ 0	\$ 0
<u>Highways</u>						
Administration	413,829	0	413,829	451,093	457,093	43,264
Highway and Bridge Maintenance	569,949	6,327	576,276	792,130	792,130	215,854
Operation and Maintenance of Equipment	102,125	0	102,125	127,240	127,240	25,115
Other Charges	57,626	0	57,626	65,500	65,500	7,874
Employee Benefits	79,798	0	79,798	94,139	94,139	14,341
Capital Outlay	464,740	0	464,740	54,300	482,978	18,238
Total Expenditures	<u>\$ 1,688,067</u>	<u>\$ 6,327</u>	<u>\$ 1,694,394</u>	<u>\$ 1,590,402</u>	<u>\$ 2,019,080</u>	<u>\$ 324,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,441</u>	<u>\$ (6,327)</u>	<u>\$ 41,114</u>	<u>\$ (341,205)</u>	<u>\$ (341,205)</u>	<u>\$ 382,319</u>
Net Change in Fund Balance	\$ 47,441	\$ (6,327)	\$ 41,114	\$ (341,205)	\$ (341,205)	\$ 382,319
Fund Balance, July 1, 2006	457,860	0	457,860	457,846	457,846	14
Fund Balance, June 30, 2007	<u>\$ 505,301</u>	<u>\$ (6,327)</u>	<u>\$ 498,974</u>	<u>\$ 116,641</u>	<u>\$ 116,641</u>	<u>\$ 382,333</u>

Exhibit E-4

Hancock County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**Required Supplementary Information**  
Schedule of Funding Progress for Hancock County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 1,169	\$ 1,176	\$ 6	99.46 %	\$ 501	1.27 %
6-30-03	973	980	7	99.29	459	1.53
6-30-01	837	837	0	100.00	401	0.00

**HANCOCK COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**A. BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, County Mayor/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the Hancock County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. A TAX ANTICIPATION NOTE WAS NOT RETIRED IN COMPLIANCE WITH STATE STATUTE**

On April 25, 2007, the General Fund borrowed \$250,000 from the General Debt Service Fund to provide cash for operations in anticipation of tax collections. This note was not retired by June 30, 2007, as required by Section 9-21-801, Tennessee Code Annotated. This note has been reflected in the financial statements of this report as Due from Other Funds in the General Fund and Due to Other Funds in the General Debt Service Fund.

**C. FUND DEFICIT**

The General Fund had a deficit undesignated fund balance of \$53,376 at June 30, 2007. This deficit resulted primarily from various deficiencies in budget operations.

**D. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Jail and General Government Other Debt Service major appropriation categories (the legal level of control) of the General Fund by \$163,953 and \$697, respectively. Such overexpenditures are violations of state statute.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

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

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

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

## Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

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

Exhibit F-1

Hancock County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2007

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Health Department	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 0	\$ 174	\$ 174	\$ 0	\$ 0	\$ 0	174
Equity in Pooled Cash and Investments	87,808	11,370	62	0	99,240	10,995	880,754	891,749	990,989
Accounts Receivable	4,857	0	0	0	4,857	0	970	970	5,827
Due from Other Governments	2,751	0	0	0	2,751	0	0	0	2,751
Property Taxes Receivable	250,930	0	0	0	250,930	0	0	0	250,930
Allowance for Uncollectible Property Taxes	(9,339)	0	0	0	(9,339)	0	0	0	(9,339)
<b>Total Assets</b>	<b>\$ 337,007</b>	<b>\$ 11,370</b>	<b>\$ 62</b>	<b>\$ 174</b>	<b>\$ 348,613</b>	<b>\$ 10,995</b>	<b>\$ 881,724</b>	<b>\$ 892,719</b>	<b>\$ 1,241,332</b>
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 8,128	\$ 0	\$ 0	\$ 0	\$ 8,128	\$ 0	\$ 0	\$ 0	8,128
Due to Other Funds	0	0	0	174	174	0	0	0	174
Deferred Revenue - Current Property Taxes	231,865	0	0	0	231,865	0	0	0	231,865
Deferred Revenue - Delinquent Property Taxes	9,450	0	0	0	9,450	0	0	0	9,450
Other Deferred Revenues	292	0	0	0	292	0	0	0	292
<b>Total Liabilities</b>	<b>\$ 249,735</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 174</b>	<b>\$ 249,909</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>249,909</b>
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,419	\$ 0	\$ 6,419	6,419
Other Federal Reserves	0	0	0	0	0	3,387	0	3,387	3,387
Unreserved	87,272	11,370	62	0	98,704	1,189	881,724	882,913	981,617
<b>Total Fund Balances</b>	<b>\$ 87,272</b>	<b>\$ 11,370</b>	<b>\$ 62</b>	<b>\$ 0</b>	<b>\$ 98,704</b>	<b>\$ 10,995</b>	<b>\$ 881,724</b>	<b>\$ 892,719</b>	<b>\$ 991,423</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 337,007</b>	<b>\$ 11,370</b>	<b>\$ 62</b>	<b>\$ 174</b>	<b>\$ 348,613</b>	<b>\$ 10,995</b>	<b>\$ 881,724</b>	<b>\$ 892,719</b>	<b>\$ 1,241,332</b>

Exhibit F-2

Hancock County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Health Department	Drug Control	Total	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 231,980	\$ 0	\$ 0	\$ 231,980	\$ 0	\$ 0	\$ 0	\$ 231,980
Charges for Current Services	9,880	0	0	9,880	0	0	0	9,880
State of Tennessee	4,137	0	0	4,137	0	0	0	4,137
Federal Government	0	0	0	0	91,002	88,706	179,708	179,708
<b>Total Revenues</b>	<b>\$ 245,997</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 245,997</b>	<b>\$ 91,002</b>	<b>\$ 88,706</b>	<b>\$ 179,708</b>	<b>\$ 425,705</b>
<u>Expenditures</u>								
Current:								
Public Safety	\$ 0	\$ 0	\$ 400	\$ 400	\$ 0	\$ 0	\$ 0	\$ 400
Public Health and Welfare	225,457	43,591	0	269,048	0	0	0	269,048
Capital Projects	0	0	0	0	306,196	0	306,196	306,196
<b>Total Expenditures</b>	<b>\$ 225,457</b>	<b>\$ 43,591</b>	<b>\$ 400</b>	<b>\$ 269,448</b>	<b>\$ 306,196</b>	<b>\$ 0</b>	<b>\$ 306,196</b>	<b>\$ 575,644</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 20,540	\$ (43,591)	\$ (400)	\$ (23,451)	\$ (215,194)	\$ 88,706	\$ (126,488)	\$ (149,939)
<u>Other Financing Sources (Uses)</u>								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225,000	\$ 0	\$ 225,000	\$ 225,000
Insurance Recovery	1,200	0	0	1,200	0	0	0	1,200
Transfers In	0	44,000	0	44,000	0	0	0	44,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,200</b>	<b>\$ 44,000</b>	<b>\$ 0</b>	<b>\$ 45,200</b>	<b>\$ 225,000</b>	<b>\$ 0</b>	<b>\$ 225,000</b>	<b>\$ 270,200</b>
Net Change in Fund Balances	\$ 21,740	\$ 409	\$ (400)	\$ 21,749	\$ 9,806	\$ 88,706	\$ 98,512	\$ 120,261
Fund Balance, July 1, 2006	65,532	10,961	462	76,955	1,189	793,018	794,207	871,162
<b>Fund Balance, June 30, 2007</b>	<b>\$ 87,272</b>	<b>\$ 11,370</b>	<b>\$ 62</b>	<b>\$ 98,704</b>	<b>\$ 10,995</b>	<b>\$ 881,724</b>	<b>\$ 892,719</b>	<b>\$ 991,423</b>

Exhibit F-3

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 231,980	\$ 221,500	\$ 221,500	\$ 10,480
Charges for Current Services	9,880	10,500	10,500	(620)
State of Tennessee	4,137	3,500	3,500	637
Total Revenues	<u>\$ 245,997</u>	<u>\$ 235,500</u>	<u>\$ 235,500</u>	<u>\$ 10,497</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 225,457	\$ 263,500	\$ 263,500	\$ 38,043
Total Expenditures	<u>\$ 225,457</u>	<u>\$ 263,500</u>	<u>\$ 263,500</u>	<u>\$ 38,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,540</u>	<u>\$ (28,000)</u>	<u>\$ (28,000)</u>	<u>\$ 48,540</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,200	\$ 0	\$ 0	\$ 1,200
Total Other Financing Sources (Uses)	<u>\$ 1,200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,200</u>
Net Change in Fund Balance	\$ 21,740	\$ (28,000)	\$ (28,000)	\$ 49,740
Fund Balance, July 1, 2006	<u>65,532</u>	<u>65,532</u>	<u>65,532</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 87,272</u>	<u>\$ 37,532</u>	<u>\$ 37,532</u>	<u>\$ 49,740</u>

Exhibit F-4

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Health Department Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 43,591	\$ 54,960	\$ 54,960	\$ 11,369
Total Expenditures	\$ 43,591	\$ 54,960	\$ 54,960	\$ 11,369
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,591)	\$ (54,960)	\$ (54,960)	\$ 11,369
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 44,000	\$ 44,000	\$ 44,000	\$ 0
Total Other Financing Sources (Uses)	\$ 44,000	\$ 44,000	\$ 44,000	\$ 0
Net Change in Fund Balance	\$ 409	\$ (10,960)	\$ (10,960)	\$ 11,369
Fund Balance, July 1, 2006	10,961	10,960	10,960	1
Fund Balance, June 30, 2007	\$ 11,370	\$ 0	\$ 0	\$ 11,370

Exhibit F-5

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 400	\$ 462	\$ 462	\$ 62
Total Expenditures	\$ 400	\$ 462	\$ 462	\$ 62
Excess (Deficiency) of Revenues Over Expenditures	\$ (400)	\$ (462)	\$ (462)	\$ 62
Net Change in Fund Balance	\$ (400)	\$ (462)	\$ (462)	\$ 62
Fund Balance, July 1, 2006	462	462	462	0
Fund Balance, June 30, 2007	\$ 62	\$ 0	\$ 0	\$ 62

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 166,199	\$ 165,200	\$ 165,200	\$ 999
Other Local Revenues	325,367	195,039	195,039	130,328
State of Tennessee	40	100	100	(60)
Other Governments and Citizens Groups	1,435,205	1,097,635	1,097,635	337,570
Total Revenues	<u>\$ 1,926,811</u>	<u>\$ 1,457,974</u>	<u>\$ 1,457,974</u>	<u>\$ 468,837</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 373,723	\$ 374,723	\$ 374,723	\$ 1,000
Education	268,800	268,800	268,800	0
<u>Interest on Debt</u>				
General Government	381,759	396,241	396,441	14,682
Education	457,263	591,010	538,010	80,747
<u>Other Debt Service</u>				
General Government	22,271	22,200	23,200	929
Education	50,952	0	51,800	848
Total Expenditures	<u>\$ 1,554,768</u>	<u>\$ 1,652,974</u>	<u>\$ 1,652,974</u>	<u>\$ 98,206</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 372,043</u>	<u>\$ (195,000)</u>	<u>\$ (195,000)</u>	<u>\$ 567,043</u>
Net Change in Fund Balance	\$ 372,043	\$ (195,000)	\$ (195,000)	\$ 567,043
Fund Balance, July 1, 2006	<u>883,691</u>	<u>883,691</u>	<u>883,691</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 1,255,734</u>	<u>\$ 688,691</u>	<u>\$ 688,691</u>	<u>\$ 567,043</u>

# Fiduciary Funds

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

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

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

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

Exhibit H-1

Hancock County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>				Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency		
<b><u>ASSETS</u></b>					
Cash	\$ 0	\$ 364,436	\$ 0	\$ 364,436	\$ 364,436
Equity in Pooled Cash and Investments	0	0	97,963	97,963	97,963
Accounts Receivable	0	0	5,009	5,009	5,009
Due from Other Governments	24,155	0	0	24,155	24,155
Prepaid Items	0	0	2,075	2,075	2,075
Total Assets	<u>\$ 24,155</u>	<u>\$ 364,436</u>	<u>\$ 105,047</u>	<u>\$ 493,638</u>	<u>\$ 493,638</u>
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 0	\$ 0	\$ 914	\$ 914	\$ 914
Due to State of Tennessee	0	0	34,936	34,936	34,936
Due to Other Taxing Units	24,155	0	69,197	93,352	93,352
Due to Litigants, Heirs, and Others	0	364,436	0	364,436	364,436
Total Liabilities	<u>\$ 24,155</u>	<u>\$ 364,436</u>	<u>\$ 105,047</u>	<u>\$ 493,638</u>	<u>\$ 493,638</u>

Exhibit H-2

Hancock County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 147,483	\$ 147,483	\$ 0
Due from Other Governments	24,159	24,155	24,159	24,155
Total Assets	\$ 24,159	\$ 171,638	\$ 171,642	\$ 24,155
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 24,159	\$ 171,638	\$ 171,642	\$ 24,155
Total Liabilities	\$ 24,159	\$ 171,638	\$ 171,642	\$ 24,155
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 390,039	\$ 1,091,666	\$ 1,117,269	\$ 364,436
Total Assets	\$ 390,039	\$ 1,091,666	\$ 1,117,269	\$ 364,436
<u>Liabilities</u>				
Due to Other Funds	\$ 9,559	\$ 0	\$ 9,559	\$ 0
Due to Litigants, Heirs, and Others	380,480	1,091,666	1,107,710	364,436
Total Liabilities	\$ 390,039	\$ 1,091,666	\$ 1,117,269	\$ 364,436
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 18,572	\$ 380,179	\$ 300,788	\$ 97,963
Accounts Receivable	4,895	5,009	4,895	5,009
Prepaid Items	2,003	2,075	2,003	2,075
Total Assets	\$ 25,470	\$ 387,263	\$ 307,686	\$ 105,047
<u>Liabilities</u>				
Accounts Payable	\$ 723	\$ 914	\$ 723	\$ 914
Due to State of Tennessee	0	34,936	0	34,936
Due to Other Taxing Units	24,747	351,413	306,963	69,197
Total Liabilities	\$ 25,470	\$ 387,263	\$ 307,686	\$ 105,047

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 390,039	\$ 1,091,666	\$ 1,117,269	\$ 364,436
Equity in Pooled Cash and Investments	18,572	527,662	448,271	97,963
Accounts Receivable	4,895	5,009	4,895	5,009
Due from Other Governments	24,159	24,155	24,159	24,155
Prepaid Items	2,003	2,075	2,003	2,075
Total Assets	<u>\$ 439,668</u>	<u>\$ 1,650,567</u>	<u>\$ 1,596,597</u>	<u>\$ 493,638</u>
<u>Liabilities</u>				
Accounts Payable	\$ 723	\$ 914	\$ 723	\$ 914
Due to Other Funds	9,559	0	9,559	0
Due to State of Tennessee	0	34,936	0	34,936
Due to Other Taxing Units	48,906	523,051	478,605	93,352
Due to Litigants, Heirs, and Others	380,480	1,091,666	1,107,710	364,436
Total Liabilities	<u>\$ 439,668</u>	<u>\$ 1,650,567</u>	<u>\$ 1,596,597</u>	<u>\$ 493,638</u>

# Hancock County School Department

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This section presents combining and individual fund financial statements for the Hancock County School Department, a discretely presented component unit. The School Department uses a General Fund and two Special Revenue Funds.

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General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

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

Exhibit I-1

Hancock County, Tennessee  
Statement of Activities  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 4,824,921	\$ 0	\$ 1,345,939	\$ (3,478,982)
Support Services	3,032,418	0	0	(3,032,418)
Operation of Noninstructional Services	788,163	97,145	478,207	(212,811)
Other Debt Service	732,081	0	0	(732,081)
Total Governmental Activities	\$ 9,377,583	\$ 97,145	\$ 1,824,146	\$ (7,456,292)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 597,611
Local Option Sales Taxes				199,363
Other Local Taxes				62,244
Grants and Contributions Not Restricted for Specific Programs				6,226,770
Unrestricted Investment Income				4,983
Miscellaneous				53,838
Total General Revenues				\$ 7,144,809
Change in Net Assets				\$ (311,483)
Net Assets, July 1, 2006				17,065,826
Net Assets, June 30, 2007				\$ 16,754,343

Exhibit I-2

Hancock County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Hancock County School Department  
June 30, 2007

	Major Funds		Nonmajor	Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria Fund	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 4,075	\$ 4,075
Equity in Pooled Cash and Investments	2,940,567	95,111	117,601	3,153,279
Accounts Receivable	483	0	0	483
Due from Other Governments	67,833	0	0	67,833
Due from Other Funds	0	0	1,503	1,503
Property Taxes Receivable	657,987	0	0	657,987
Allowance for Uncollectible Property Taxes	(24,287)	0	0	(24,287)
Total Assets	<u>\$ 3,642,583</u>	<u>\$ 95,111</u>	<u>\$ 123,179</u>	<u>\$ 3,860,873</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 112,022	\$ 0	\$ 6,897	\$ 118,919
Due to Other Funds	1,503	0	0	1,503
Other Current Liabilities	67,077	0	0	67,077
Deferred Revenue - Current Property Taxes	608,646	0	0	608,646
Deferred Revenue - Delinquent Property Taxes	24,343	0	0	24,343
Other Deferred Revenues	16,913	0	0	16,913
Total Liabilities	<u>\$ 830,504</u>	<u>\$ 0</u>	<u>\$ 6,897</u>	<u>\$ 837,401</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 144,654	\$ 49,629	\$ 0	\$ 194,283
Other Local Education Reserves	13,118	0	0	13,118
Reserved for Career Ladder - Extended Contract	2,495	0	0	2,495
Reserved for Basic Education Program	537,077	0	0	537,077
Reserved for Title I Grants to Local Education Agencies	0	21,224	0	21,224
Reserved for Special Education - Grants to States	0	24,258	0	24,258
Unreserved, Reported In:				
General Fund	2,114,735	0	0	2,114,735
Special Revenue Funds	0	0	116,282	116,282
Total Fund Balances	<u>\$ 2,812,079</u>	<u>\$ 95,111</u>	<u>\$ 116,282</u>	<u>\$ 3,023,472</u>
Total Liabilities and Fund Balances	<u>\$ 3,642,583</u>	<u>\$ 95,111</u>	<u>\$ 123,179</u>	<u>\$ 3,860,873</u>

Exhibit I-3

Hancock County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Hancock County School Department  
June 30, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	3,023,472
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	453,176	
Add: construction in progress		85,892	
Add: building and improvements net of accumulated depreciation		12,650,829	
Add: machinery and equipment net of accumulated depreciation		<u>544,718</u>	13,734,615
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: judgments payable			(45,000)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>41,256</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>16,754,343</u></u>

Exhibit I-4

Hancock County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2007

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Fund</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 855,626	\$ 0	\$ 0	\$ 855,626
Licenses and Permits	608	0	0	608
Charges for Current Services	0	0	97,145	97,145
Other Local Revenues	62,833	828	4,983	68,644
State of Tennessee	6,482,152	0	30,250	6,512,402
Federal Government	47,263	1,019,335	418,530	1,485,128
Other Governments and Citizens Groups	18,026	0	0	18,026
Total Revenues	<u>\$ 7,466,508</u>	<u>\$ 1,020,163</u>	<u>\$ 550,908</u>	<u>\$ 9,037,579</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 3,760,779	\$ 665,561	\$ 0	\$ 4,426,340
Support Services	2,859,109	261,290	0	3,120,399
Operation of Non-Instructional Services	181,611	75,000	535,845	792,456
Capital Outlay	167,310	0	0	167,310
Debt Service:				
Other Debt Service	732,081	0	0	732,081
Total Expenditures	<u>\$ 7,700,890</u>	<u>\$ 1,001,851</u>	<u>\$ 535,845</u>	<u>\$ 9,238,586</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (234,382)</u>	<u>\$ 18,312</u>	<u>\$ 15,063</u>	<u>\$ (201,007)</u>
Net Change in Fund Balances	\$ (234,382)	\$ 18,312	\$ 15,063	\$ (201,007)
Fund Balance, July 1, 2006	<u>3,046,461</u>	<u>76,799</u>	<u>101,219</u>	<u>3,224,479</u>
Fund Balance, June 30, 2007	<u>\$ 2,812,079</u>	<u>\$ 95,111</u>	<u>\$ 116,282</u>	<u>\$ 3,023,472</u>

Exhibit I-5

Hancock County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	(201,007)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	391,004	
Less: current year depreciation expense		<u>(513,074)</u>	(122,070)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$	41,256	
Less: deferred delinquent property taxes and other deferred June 30, 2006		<u>(37,162)</u>	4,094
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in judgments payable			<u>7,500</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(311,483)</u>

Exhibit I-6

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Hancock County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 855,626	\$ 0	\$ 0	\$ 855,626	\$ 813,000	\$ 813,000	\$ 42,626
Licenses and Permits	608	0	0	608	600	600	8
Other Local Revenues	62,833	0	0	62,833	38,864	36,389	26,444
State of Tennessee	6,482,152	0	0	6,482,152	6,406,695	6,460,877	21,275
Federal Government	47,263	0	0	47,263	56,690	61,205	(13,942)
Other Governments and Citizens Groups	18,026	0	0	18,026	0	20,000	(1,974)
<b>Total Revenues</b>	<b>\$ 7,466,508</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,466,508</b>	<b>\$ 7,315,849</b>	<b>\$ 7,392,071</b>	<b>\$ 74,437</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 2,823,445	\$ 0	\$ 0	\$ 2,823,445	\$ 3,023,040	\$ 2,957,469	\$ 134,024
Special Education Program	524,755	0	0	524,755	538,080	534,080	9,325
Vocational Education Program	387,480	0	0	387,480	424,647	424,647	37,167
Adult Education Program	25,099	0	0	25,099	23,222	29,862	4,763
<u>Support Services</u>							
Health Services	4,060	0	0	4,060	8,750	8,750	4,690
Other Student Support	211,574	0	0	211,574	199,239	218,448	6,874
Regular Instruction Program	395,172	0	0	395,172	334,551	411,713	16,541
Special Education Program	71,005	0	0	71,005	72,540	76,540	5,535
Vocational Education Program	64,827	0	0	64,827	68,259	68,259	3,432
Adult Programs	64,874	0	0	64,874	65,317	65,317	443
Board of Education	197,444	0	0	197,444	209,810	215,307	17,863
Director of Schools	111,609	0	0	111,609	115,378	115,378	3,769
Office of the Principal	228,038	0	0	228,038	240,898	243,459	15,421
Fiscal Services	75,263	0	0	75,263	76,743	76,743	1,480
Operation of Plant	437,694	0	0	437,694	427,582	452,138	14,444

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Maintenance of Plant	\$ 70,176	\$ 0	\$ 0	\$ 70,176	\$ 67,214	\$ 71,766	\$ 1,590
Transportation	509,960	(186,874)	144,654	467,740	537,309	539,975	72,235
Central and Other	417,413	0	0	417,413	417,414	417,414	1
<u>Operation of Non-Instructional Services</u>							
Community Services	51,610	0	0	51,610	41,937	57,544	5,934
Early Childhood Education	130,001	0	0	130,001	130,000	130,009	8
<u>Capital Outlay</u>							
Regular Capital Outlay	167,310	0	0	167,310	228,750	228,750	61,440
<u>Other Debt Service</u>							
Education	732,081	0	0	732,081	641,000	732,081	0
Total Expenditures	\$ 7,700,890	\$ (186,874)	\$ 144,654	\$ 7,658,670	\$ 7,891,680	\$ 8,075,649	\$ 416,979
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (234,382)	\$ 186,874	\$ (144,654)	\$ (192,162)	\$ (575,831)	\$ (683,578)	\$ 491,416
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 3,046,461	(186,874)	0	2,859,587	575,831	683,578	2,176,009
Fund Balance, June 30, 2007							
	\$ 2,812,079	\$ 0	\$ (144,654)	\$ 2,667,425	\$ 0	\$ 0	\$ 2,667,425

Exhibit I-7

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Hancock County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 828	\$ 0	\$ 828	\$ 0	\$ 828	\$ 0
State of Tennessee	0	0	0	75,000	0	0
Federal Government	1,019,335	0	1,019,335	1,014,273	1,138,979	(119,644)
<b>Total Revenues</b>	<b>\$ 1,020,163</b>	<b>\$ 0</b>	<b>\$ 1,020,163</b>	<b>\$ 1,089,273</b>	<b>\$ 1,139,807</b>	<b>\$ (119,644)</b>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 424,824	\$ 0	\$ 424,824	\$ 494,690	\$ 455,131	\$ 30,307
Special Education Program	209,137	0	209,137	315,095	309,372	100,235
Vocational Education Program	31,600	0	31,600	30,634	31,600	0
<u>Support Services</u>						
Other Student Support	74,672	0	74,672	23,368	79,864	5,192
Regular Instruction Program	165,030	0	165,030	206,505	190,192	25,162
Vocational Education Program	585	0	585	600	585	0
Transportation	21,003	49,629	70,632	20,180	74,862	4,230
<u>Operation of Non-Instructional Services</u>						
Early Childhood Education	75,000	0	75,000	75,000	75,000	0
<b>Total Expenditures</b>	<b>\$ 1,001,851</b>	<b>\$ 49,629</b>	<b>\$ 1,051,480</b>	<b>\$ 1,166,072</b>	<b>\$ 1,216,606</b>	<b>\$ 165,126</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 18,312	\$ (49,629)	\$ (31,317)	\$ (76,799)	\$ (76,799)	\$ 45,482
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 52,979	\$ 0	\$ 0
Transfers Out	0	0	0	(52,979)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 18,312	\$ (49,629)	\$ (31,317)	\$ (76,799)	\$ (76,799)	\$ 45,482
Fund Balance, July 1, 2006	76,799	0	76,799	76,799	76,799	0
Fund Balance, June 30, 2007	\$ 95,111	\$ (49,629)	\$ 45,482	\$ 0	\$ 0	\$ 45,482

Exhibit I-8

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Hancock County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 97,145	\$ 83,000	\$ 83,000	\$ 14,145
Other Local Revenues	4,983	4,000	4,000	983
State of Tennessee	30,250	6,500	6,500	23,750
Federal Government	418,530	364,400	364,400	54,130
Total Revenues	<u>\$ 550,908</u>	<u>\$ 457,900</u>	<u>\$ 457,900</u>	<u>\$ 93,008</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 535,845	\$ 518,292	\$ 545,999	\$ 10,154
Total Expenditures	<u>\$ 535,845</u>	<u>\$ 518,292</u>	<u>\$ 545,999</u>	<u>\$ 10,154</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,063</u>	<u>\$ (60,392)</u>	<u>\$ (88,099)</u>	<u>\$ 103,162</u>
Net Change in Fund Balance	\$ 15,063	\$ (60,392)	\$ (88,099)	\$ 103,162
Fund Balance, July 1, 2006	<u>101,219</u>	<u>60,392</u>	<u>88,099</u>	<u>13,120</u>
Fund Balance, June 30, 2007	<u>\$ 116,282</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 116,282</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Hancock County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<b>NOTES PAYABLE</b>								
<u>Payable through General Fund</u>								
Ambulance	\$ 61,950	3.85 %	5-27-04	5-27-07	\$ 20,650	\$ 0	\$ 20,650	\$ 0
Ambulance	64,899	4.45	8-29-05	8-29-08	64,899	0	21,633	43,266
Total Payable through General Fund					<u>\$ 85,549</u>	<u>\$ 0</u>	<u>\$ 42,283</u>	<u>\$ 43,266</u>
<u>Payable through General Debt Service Fund</u>								
Elevator	25,000	4.17	11-4-05	11-4-08	\$ 25,000	\$ 0	\$ 8,333	\$ 16,667
Hospital Re-roof	30,000	4.17	11-4-05	11-4-08	30,000	0	10,000	20,000
Total Payable through General Debt Service Fund					<u>\$ 55,000</u>	<u>\$ 0</u>	<u>\$ 18,333</u>	<u>\$ 36,667</u>
Total Notes Payable					<u>\$ 140,549</u>	<u>\$ 0</u>	<u>\$ 60,616</u>	<u>\$ 79,933</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 11,400,000	\$ 0	\$ 250,000	\$ 11,150,000
Refunding Issue	945,000	Variable	6-28-02	5-25-17	749,000	0	56,000	693,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	1,296,570	0	47,000	1,249,570
Total Payable through General Debt Service Fund					<u>\$ 13,445,570</u>	<u>\$ 0</u>	<u>\$ 353,000</u>	<u>\$ 13,092,570</u>
Total Other Loans Payable					<u>\$ 13,445,570</u>	<u>\$ 0</u>	<u>\$ 353,000</u>	<u>\$ 13,092,570</u>
<b>CAPITAL LEASES PAYABLE</b>								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	146,010	4.1	9-22-04	9-22-07	\$ 72,946	\$ 0	\$ 35,740	\$ 37,206
Total Payable through General Fund					<u>\$ 72,946</u>	<u>\$ 0</u>	<u>\$ 35,740</u>	<u>\$ 37,206</u>
Total Capital Leases Payable					<u>\$ 72,946</u>	<u>\$ 0</u>	<u>\$ 35,740</u>	<u>\$ 37,206</u>

(Continued)

Exhibit J-1

Hancock County, Tennessee

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
F.H.A. Industrial Development Bond	\$ 85,000	4.875 %	3-26-1998	3-26-36	\$ 77,269	\$ 0	\$ 1,190	\$ 76,079
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	5,520,000	0	240,000	5,280,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	240,000	0	30,000	210,000
Elevator Bond (A)	132,000	4.25	1-11-07	1-11-45	0	132,000	0	132,000
Elevator Bond (B)	93,000	4.375	8-18-06	8-18-44	0	93,000	0	93,000
Total Payable through General Debt Service Fund					<u>\$ 5,837,269</u>	<u>\$ 225,000</u>	<u>\$ 271,190</u>	<u>\$ 5,791,079</u>
Total Bonds Payable					<u>\$ 5,837,269</u>	<u>\$ 225,000</u>	<u>\$ 271,190</u>	<u>\$ 5,791,079</u>

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	F.H.A Bond Requirements	F.H.A. Interest Requirements	Total Requirements
2008	\$ 272,449	\$ 319,260	\$ 1,248	\$ 3,709	\$ 596,666
2009	272,555	304,128	1,309	3,648	581,640
2010	272,664	289,759	1,373	3,584	567,380
2011	272,779	273,852	1,440	3,517	551,588
2012	272,899	258,707	1,510	3,447	536,563
2013	273,023	243,556	1,584	3,373	521,536
2014	273,153	229,002	1,661	3,296	507,112
2015	243,289	213,239	1,742	3,215	461,485
2016	243,430	199,471	1,827	3,130	447,858
2017	243,578	185,697	1,916	3,041	434,232
2018	243,732	172,364	2,009	2,948	421,053
2019	243,892	158,129	2,107	2,850	406,978
2020	244,059	144,335	2,210	2,747	393,351
2021	244,234	130,534	2,317	2,640	379,725
2022	244,416	117,024	2,430	2,527	366,397
2023	244,606	102,908	2,549	2,408	352,471
2024	244,805	89,084	2,673	2,284	338,846
2025	245,011	75,250	2,803	2,154	325,218
2026	245,227	61,557	2,940	2,017	311,741
2027	245,452	47,556	3,083	1,874	297,965
2028	245,686	33,695	3,234	1,723	284,338
2029	245,931	19,824	3,391	1,566	270,712
2030	6,186	5,942	3,557	1,400	17,085
2031	6,452	5,676	3,730	1,227	17,085
2032	6,729	5,398	3,912	1,045	17,084
2033	7,020	5,109	4,103	854	17,086
2034	7,322	4,807	4,303	654	17,086
2035	7,636	4,492	4,512	445	17,085
2036	7,964	4,164	4,606	351	17,085
2037	8,307	3,821	0	0	12,128
2038	8,664	3,464	0	0	12,128
2039	9,037	3,091	0	0	12,128
2040	9,426	2,702	0	0	12,128
2041	9,831	2,297	0	0	12,128
2042	10,254	1,874	0	0	12,128
2043	10,695	1,433	0	0	12,128
2044	11,155	973	0	0	12,128
2045	11,452	493	0	0	11,945
Total	\$ 5,715,000	\$ 3,724,667	\$ 76,079	\$ 67,674	\$ 9,583,420

Exhibit J-3

Hancock County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Health Department	To provide operating funds	<u>\$ 44,000</u>
Total Transfers			<u><u>\$ 44,000</u></u>

Exhibit J-4

Hancock County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 59,037	\$ 25,000	Auto-Owners Mutual Ins. Co.
Road Superintendent	Section 8-24-102, <u>TCA</u>	51,226	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	75,201 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	46,569	450,000	Auto-Owners Mutual Ins. Co.
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	Auto-Owners Mutual Ins. Co.
Clerk and Master:				
Scott Collins (7-1-06 through 9-30-06)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	11,642	25,000	Western Surety Company
Judy Trent (10-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	34,927	25,000	"
Register:				
Melissa Bell (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	11,642	15,000	Auto-Owners Mutual Ins. Co.
Janie Lamb (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	34,927	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	56,826 (2)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			25,000	"
Public Employee Dishonesty - School Department			150,000	Tennessee School Boards Risk Management Trust

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

(2) Includes county workhouse supplement of \$5,000 and law enforcement training supplement of \$600.

Exhibit J-5

Hancock County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2007

	General	Special Revenue Funds			Debt Service Fund	Capital Projects Funds		Total
		Solid Waste / Sanitation	Other Special Revenue	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 629,166	\$ 216,342	\$ 0	\$ 0	\$ 163,718	\$ 0	\$ 0	\$ 1,009,226
Trustee's Collections - Prior Year	17,556	7,065	0	0	429	0	0	25,050
Circuit/Clerk & Master Collections - Prior Years	17,394	5,823	0	0	786	0	0	24,003
Interest and Penalty	2,977	1,150	0	0	263	0	0	4,390
Payments in-Lieu-of Taxes - T.V.A.	13	5	0	0	3	0	0	21
<u>County Local Option Taxes</u>								
Local Option Sales Tax	51,824	0	0	0	0	0	0	51,824
Wheel Tax	57,007	0	0	0	0	0	0	57,007
Litigation Tax - General	11,412	0	0	0	0	0	0	11,412
Litigation Tax - Jail, Workhouse, or Courthouse	7,099	0	0	0	0	0	0	7,099
Business Tax	19,425	0	0	0	0	0	0	19,425
Other County Local Option Taxes	7,329	0	0	0	0	0	0	7,329
<u>Statutory Local Taxes</u>								
Bank Excise Tax	11,895	0	0	0	0	0	0	11,895
Wholesale Beer Tax	4,513	1,595	0	0	1,000	0	0	7,108
Interstate Telecommunications Tax	835	0	0	0	0	0	0	835
<b>Total Local Taxes</b>	<b>\$ 838,445</b>	<b>\$ 231,980</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 166,199</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,236,624</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 1,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,372
Officers Costs	550	0	0	0	0	0	0	550
Drug Control Fines	7,639	0	0	0	0	0	0	7,639
Drug Court Fees	105	0	0	0	0	0	0	105
Data Entry Fee - Circuit Court	52	0	0	0	0	0	0	52
<u>General Sessions Court</u>								
Fines	20,565	0	0	0	0	0	0	20,565
Officers Costs	2,760	0	0	0	0	0	0	2,760
Drug Control Fines	6,698	0	0	0	0	0	0	6,698
Drug Court Fees	805	0	0	0	0	0	0	805
Data Entry Fee - General Sessions Court	1,238	0	0	0	0	0	0	1,238

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			Debt Service Fund	Capital Projects Funds		Total
		Solid Waste / Sanitation	Other Special Revenue	Highway / Public Works		General Capital Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Chancery Court</u>								
Officers Costs	\$ 400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 400
Data Entry Fee - Chancery Court	206	0	0	0	0	0	0	206
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	275	0	0	0	0	0	0	275
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	1,315	0	0	0	0	0	0	1,315
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 43,980</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 43,980</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Tipping Fees	\$ 0	\$ 9,880	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,880
Patient Charges	337,530	0	913,318	0	0	0	0	1,250,848
Work Release Charges for Board	47,074	0	0	0	0	0	0	47,074
Other General Service Charges	13,377	0	0	0	0	0	0	13,377
<u>Fees</u>								
Recreation Fees	8,118	0	0	0	0	0	0	8,118
Copy Fees	493	0	0	0	0	0	0	493
Telephone Commissions	17,196	0	0	0	0	0	0	17,196
Vending Machine Collections	199	0	0	0	0	0	0	199
Data Processing Fee - Register	2,564	0	0	0	0	0	0	2,564
Sexual Offender Registration Fees - Sheriff	380	0	0	0	0	0	0	380
<b>Total Charges for Current Services</b>	<b>\$ 426,931</b>	<b>\$ 9,880</b>	<b>\$ 913,318</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,350,129</b>
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 325,367	\$ 0	\$ 0	\$ 325,367
Sale of Materials and Supplies	7,680	0	0	17,593	0	0	0	25,273
Commissary Sales	90,883	0	0	0	0	0	0	90,883
Miscellaneous Refunds	10,797	0	0	0	0	0	0	10,797
<u>Nonrecurring Items</u>								
Contributions & Gifts	21,000	0	0	0	0	0	0	21,000
<b>Total Other Local Revenues</b>	<b>\$ 130,360</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 17,593</b>	<b>\$ 325,367</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 473,320</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds			Highway / Public Works	Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Other Special Revenue			General Capital Projects	Other Capital Projects	
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 50,535	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,535
Circuit Court Clerk	5,572	0	0	0	0	0	0	5,572
General Sessions Court Clerk	44,253	0	0	0	0	0	0	44,253
Clerk and Master	13,687	0	0	0	0	0	0	13,687
Register	27,783	0	0	0	0	0	0	27,783
Sheriff	1,604	0	0	0	0	0	0	1,604
Trustee	98,612	0	0	0	0	0	0	98,612
<b>Total Fees Received from County Officials</b>	<b>\$ 242,046</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 242,046</b>
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	2,655	0	0	0	0	0	0	2,655
Solid Waste Grants	0	3,154	0	0	0	0	0	3,154
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	12,824	0	0	0	0	0	0	12,824
<u>Public Works Grants</u>								
Bridge Program	0	0	0	133,769	0	0	0	133,769
State Aid Program	0	0	0	294,909	0	0	0	294,909
Litter Program	27,199	0	0	0	0	0	0	27,199
<u>Other State Revenues</u>								
Income Tax	2,397	983	0	0	40	0	0	3,420
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	15,014	0	0	0	0	0	0	15,014
State Revenue Sharing - T.V.A.	182,124	0	0	0	0	0	0	182,124
Emergency Hospital - Prisoners	59,886	0	0	0	0	0	0	59,886
Board of Jurors	3,420	0	0	0	0	0	0	3,420
Contracted Prisoner Boarding	1,002,880	0	0	0	0	0	0	1,002,880
Gasoline and Motor Fuel Tax	0	0	0	1,283,782	0	0	0	1,283,782
Petroleum Special Tax	0	0	0	5,455	0	0	0	5,455
Reappraisal Program Reimbursement	885	0	0	0	0	0	0	885
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380

(Continued)

Exhibit J-5

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

	General	Special Revenue Funds			Debt Service Fund	Capital Projects Funds		Total
		Solid Waste / Sanitation	Other Special Revenue	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Other State Grants	\$ 3,455	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,455
Total State of Tennessee	\$ 1,356,872	\$ 4,137	\$ 0	\$ 1,717,915	\$ 40	\$ 0	\$ 0	\$ 3,078,964
<u>Federal Government</u>								
<u>Federal Through State</u>								
USDA - Other	\$ 37,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,002	\$ 0	\$ 128,502
Appalachian Regional Commission	3,000	0	0	0	0	0	0	3,000
Homeland Security Grants	18,689	0	0	0	0	0	0	18,689
Other Federal through State	142,781	0	0	0	0	0	0	142,781
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	26,716	0	0	0	0	0	88,706	115,422
Total Federal Government	\$ 228,686	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,002	\$ 88,706	\$ 408,394
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 737,038	\$ 0	\$ 0	\$ 737,038
Contracted Services	68,673	0	0	0	0	0	0	68,673
<u>Other</u>								
Other	1,200	0	0	0	698,167	0	0	699,367
Total Other Governments and Citizens Groups	\$ 69,873	\$ 0	\$ 0	\$ 0	\$ 1,435,205	\$ 0	\$ 0	\$ 1,505,078
Total	\$ 3,337,193	\$ 245,997	\$ 913,318	\$ 1,735,508	\$ 1,926,811	\$ 91,002	\$ 88,706	\$ 8,338,535

Exhibit J-6

Hancock County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 556,417	\$ 0	\$ 0	\$ 556,417
Trustee's Collections - Prior Year	18,921	0	0	18,921
Circuit/Clerk & Master Collections - Prior Years	16,033	0	0	16,033
Interest and Penalty	2,963	0	0	2,963
Payments in-Lieu-of Taxes - T.V.A.	12	0	0	12
<u>County Local Option Taxes</u>				
Local Option Sales Tax	199,036	0	0	199,036
Wheel Tax	57,007	0	0	57,007
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	4,187	0	0	4,187
Interstate Telecommunications Tax	1,050	0	0	1,050
Total Local Taxes	\$ 855,626	\$ 0	\$ 0	\$ 855,626
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 608	\$ 0	\$ 0	\$ 608
Total Licenses and Permits	\$ 608	\$ 0	\$ 0	\$ 608
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 97,145	\$ 97,145
Total Charges for Current Services	\$ 0	\$ 0	\$ 97,145	\$ 97,145
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 4,983	\$ 4,983
Miscellaneous Refunds	53,010	828	0	53,838
<u>Nonrecurring Items</u>				
Contributions & Gifts	9,823	0	0	9,823
Total Other Local Revenues	\$ 62,833	\$ 828	\$ 4,983	\$ 68,644
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 5,685,187	\$ 0	\$ 0	\$ 5,685,187
School Food Service	0	0	30,250	30,250
Driver Education	1,892	0	0	1,892
Other State Education Funds	627,564	0	0	627,564
Career Ladder Program	97,347	0	0	97,347
Career Ladder - Extended Contract	51,065	0	0	51,065
<u>Other State Revenues</u>				
Income Tax	2,747	0	0	2,747
Other State Revenues	16,350	0	0	16,350
Total State of Tennessee	\$ 6,482,152	\$ 0	\$ 30,250	\$ 6,512,402
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 291,473	\$ 291,473
Breakfast	0	0	116,285	116,285

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government (Cont.)</u>				
<u>Federal Through State (Cont.)</u>				
USDA - Other	\$ 0	\$ 0	\$ 10,772	\$ 10,772
Adult Education State Grant Program	47,263	0	0	47,263
Vocational Education - Basic Grants to States	0	32,734	0	32,734
Title I Grants to Local Education Agencies	0	497,239	0	497,239
Innovative Education Program Strategies	0	30,664	0	30,664
Special Education - Grants to States	0	255,729	0	255,729
Special Education Preschool Grants	0	7,935	0	7,935
Eisenhower Professional Development State Grants	0	111,399	0	111,399
Other Federal through State	0	83,635	0	83,635
Total Federal Government	\$ 47,263	\$ 1,019,335	\$ 418,530	\$ 1,485,128
<u>Other Governments and Citizens Groups</u>				
<u>Other</u>				
Other	\$ 18,026	\$ 0	\$ 0	\$ 18,026
Total Other Governments and Citizens Groups	\$ 18,026	\$ 0	\$ 0	\$ 18,026
Total	\$ 7,466,508	\$ 1,020,163	\$ 550,908	\$ 9,037,579

Exhibit J-7

Hancock County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	17,375	
Social Security		1,329	
Unemployment Compensation		31	
Audit Services		1,623	
Contributions		1,250	
Dues and Memberships		4,242	
Legal Notices, Recording, and Court Costs		857	
Travel		158	
Other Charges		3,856	
Total County Commission			\$ 30,721

County Mayor/Executive

County Official/Administrative Officer	\$	59,037	
Secretary(ies)		30,794	
Social Security		6,909	
Unemployment Compensation		84	
Communication		9,629	
Data Processing Services		6,688	
Dues and Memberships		68	
Postal Charges		1,565	
Travel		5,826	
Office Supplies		4,798	
Premiums on Corporate Surety Bonds		310	
Total County Mayor/Executive			125,708

County Attorney

County Official/Administrative Officer	\$	15,000	
Social Security		191	
Total County Attorney			15,191

Election Commission

County Official/Administrative Officer	\$	41,912	
Other Salaries & Wages		4,482	
Election Commission		5,550	
Election Workers		8,550	
Social Security		3,597	
Unemployment Compensation		4	
Communication		1,439	
Data Processing Services		3,690	
Dues and Memberships		200	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	3,108	
Maintenance & Repair Services - Equipment		100	
Postal Charges		1,131	
Printing, Stationery, and Forms		1,554	
Rentals		1,500	
Travel		3,038	
Other Contracted Services		1,000	
Data Processing Supplies		564	
Office Supplies		386	
Data Processing Equipment		2,075	
Total Election Commission			\$ 83,880

Register of Deeds

County Official/Administrative Officer	\$	46,569	
Clerical Personnel		16,200	
Social Security		4,789	
Unemployment Compensation		168	
Communication		1,538	
Data Processing Services		1,998	
Dues and Memberships		571	
Operating Lease Payments		2,179	
Postal Charges		200	
Travel		1,550	
Office Supplies		2,495	
Total Register of Deeds			78,257

County Buildings

Maintenance & Repair Services - Buildings	\$	5,462	
Other Contracted Services		7,239	
Custodial Supplies		9,406	
Electricity		16,920	
Water and Sewer		2,664	
Other Supplies and Materials		5,142	
Total County Buildings			46,833

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	46,569
Clerical Personnel		18,360
Social Security		4,967

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Unemployment Compensation	\$	84	
Audit Services		2,855	
Communication		1,219	
Data Processing Services		2,994	
Legal Notices, Recording, and Court Costs		58	
Postal Charges		600	
Office Supplies		66	
Premiums on Corporate Surety Bonds		88	
Total Property Assessor's Office			\$ 77,860

Reappraisal Program

Clerical Personnel	\$	5,828	
Social Security		446	
Unemployment Compensation		70	
Contracts with Government Agencies		2,424	
Total Reappraisal Program			8,768

County Trustee's Office

County Official/Administrative Officer	\$	46,569	
Clerical Personnel		17,710	
Social Security		4,917	
Unemployment Compensation		84	
Communication		1,727	
Data Processing Services		4,715	
Dues and Memberships		381	
Operating Lease Payments		1,187	
Legal Notices, Recording, and Court Costs		348	
Postal Charges		1,772	
Office Supplies		1,727	
Premiums on Corporate Surety Bonds		1,150	
Total County Trustee's Office			82,287

County Clerk's Office

County Official/Administrative Officer	\$	46,569
Clerical Personnel		37,080
Part-time Personnel		90
Other Per Diem & Fees		550
Social Security		6,441
Unemployment Compensation		183
Communication		1,945

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Services	\$	2,092	
Dues and Memberships		671	
Operating Lease Payments		1,464	
Legal Notices, Recording, and Court Costs		58	
Postal Charges		218	
Travel		704	
Office Supplies		3,360	
Premiums on Corporate Surety Bonds		288	
Total County Clerk's Office			\$ 101,713

Other Finance

Trustee's Commission	\$	35,397	
Total Other Finance			35,397

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,569	
Clerical Personnel		24,110	
Jury and Witness Fees		6,070	
Other Per Diem & Fees		200	
Social Security		5,407	
Unemployment Compensation		175	
Communication		2,367	
Dues and Memberships		271	
Operating Lease Payments		557	
Legal Notices, Recording, and Court Costs		148	
Postal Charges		354	
Office Supplies		5,654	
Premiums on Corporate Surety Bonds		225	
Total Circuit Court			92,107

General Sessions Court

Judge(s)	\$	54,725	
Social Security		4,186	
Dues and Memberships		340	
Travel		846	
Total General Sessions Court			60,097

Chancery Court

County Official/Administrative Officer	\$	46,569	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Clerical Personnel	\$	12,003	
Social Security		4,470	
Unemployment Compensation		174	
Communication		2,500	
Dues and Memberships		785	
Operating Lease Payments		1,089	
Legal Notices, Recording, and Court Costs		20	
Postal Charges		400	
Travel		521	
Office Supplies		2,897	
Premiums on Corporate Surety Bonds		280	
Total Chancery Court			\$ 71,708

District Attorney General

Other Contracted Services	\$	10,020	
Total District Attorney General			10,020

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	56,226	
Deputy(ies)		120,128	
Investigator(s)		45,011	
In-Service Training		12,264	
Social Security		17,830	
Unemployment Compensation		872	
Dues and Memberships		1,025	
Maintenance Agreements		214	
Maintenance & Repair Services - Vehicles		637	
Gasoline		38,966	
Law Enforcement Supplies		1,861	
Lubricants		587	
Tires and Tubes		1,938	
Uniforms		466	
Vehicle Parts		3,954	
Liability Insurance		35,011	
Premiums on Corporate Surety Bonds		4,025	
Vehicle and Equipment Insurance		30,701	
Other Charges		4,235	
Total Sheriff's Department			375,951

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Accountants/Bookkeepers	\$	3,169	
Medical Personnel		20,363	
Dispatchers/Radio Operators		93,640	
Guards		197,708	
Clerical Personnel		17,734	
Cafeteria Personnel		18,460	
Social Security		26,754	
Unemployment Compensation		2,134	
Communication		18,247	
Operating Lease Payments		2,816	
Maintenance & Repair Services - Buildings		8,879	
Medical and Dental Services		164,592	
Postal Charges		1,655	
Transportation - Other than Students		174	
Travel		5,507	
Other Contracted Services		6,871	
Custodial Supplies		14,708	
Drugs and Medical Supplies		1,615	
Electricity		49,159	
Food Preparation Supplies		2,050	
Food Supplies		149,818	
General Construction Materials		3,062	
Office Supplies		3,466	
Water and Sewer		35,816	
Other Supplies and Materials		2,046	
Office Equipment		649	
Total Jail			\$ 851,092

Juvenile Services

Youth Service Officer(s)	\$	10,609	
Social Security		812	
Unemployment Compensation		84	
Communication		858	
Dues and Memberships		362	
Travel		420	
Other Contracted Services		26,719	
Office Supplies		33	
Total Juvenile Services			39,897

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Commissary

Other Supplies and Materials	\$	17,007	
Other Charges		28,338	
Total Commissary			\$ 45,345

Civil Defense

Other Salaries & Wages	\$	5,200	
In-Service Training		100	
Social Security		398	
Unemployment Compensation		62	
Communication		699	
Maintenance & Repair Services - Vehicles		1,119	
Diesel Fuel		594	
Office Supplies		119	
Other Supplies and Materials		680	
Vehicle and Equipment Insurance		18,173	
Total Civil Defense			27,144

Rescue Squad

Contributions	\$	1,361	
Total Rescue Squad			1,361

Other Emergency Management

Other Supplies and Materials	\$	2,064	
Other Equipment		16,982	
Total Other Emergency Management			19,046

County Coroner/Medical Examiner

Supervisor/Director	\$	4,454	
Social Security		137	
Other Contracted Services		6,643	
Total County Coroner/Medical Examiner			11,234

Other Public Safety

Road Signs	\$	1,193	
Total Other Public Safety			1,193

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	7,000	
Social Security		535	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Unemployment Compensation	\$	84	
Travel		585	
Other Supplies and Materials		10,696	
Total Local Health Center			\$ 18,900

Ambulance/Emergency Medical Services

Supervisor/Director	\$	39,367	
Medical Personnel		268,038	
Clerical Personnel		2,280	
Part-time Personnel		84,008	
Overtime Pay		10,605	
In-Service Training		795	
Social Security		30,783	
Unemployment Compensation		1,587	
Communication		4,595	
Data Processing Services		1,880	
Dues and Memberships		140	
Operating Lease Payments		1,652	
Licenses		650	
Maintenance & Repair Services - Buildings		3,504	
Maintenance & Repair Services - Vehicles		1,998	
Medical and Dental Services		30	
Postal Charges		448	
Disposal Fees		1,075	
Other Contracted Services		883	
Custodial Supplies		714	
Diesel Fuel		17,146	
Drugs and Medical Supplies		28,799	
Electricity		12,951	
Lubricants		308	
Office Supplies		474	
Tires and Tubes		2,520	
Uniforms		744	
Vehicle Parts		5,889	
Water and Sewer		3,387	
Other Supplies and Materials		1,089	
Vehicle and Equipment Insurance		18,151	
Other Charges		226	
Office Equipment		1,835	
Total Ambulance/Emergency Medical Services			548,551

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs

Other Supplies and Materials	\$	253	
Other Charges		1,975	
Total Alcohol and Drug Programs			\$ 2,228

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Part-time Personnel	\$	2,429	
Social Security		186	
Unemployment Compensation		29	
Travel		211	
Other Supplies and Materials		599	
Total Other Local Health Services			3,454

Sanitation Management

Guards	\$	19,967	
Clerical Personnel		2,400	
Other Salaries & Wages		300	
Social Security		1,753	
Unemployment Compensation		97	
Other Supplies and Materials		4,677	
Total Sanitation Management			29,194

Other Public Health and Welfare

Medical and Dental Services	\$	1,298	
Travel		687	
Food Supplies		12	
Office Supplies		143	
Other Supplies and Materials		676	
Other Charges		120	
Total Other Public Health and Welfare			2,936

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	6,967	
Total Senior Citizens Assistance			6,967

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Librarians	\$	21,018	
Part-time Personnel		6,740	
Social Security		2,123	
Unemployment Compensation		165	
Communication		121	
Contributions		12,600	
Library Books/Media		3,671	
Total Libraries			\$ 46,438

Other Social, Cultural, and Recreational

Supervisor/Director	\$	24,052	
Part-time Personnel		8,108	
Social Security		2,460	
Unemployment Compensation		238	
Communication		729	
Postal Charges		28	
Custodial Supplies		269	
Electricity		17,156	
Natural Gas		845	
Office Supplies		865	
Water and Sewer		4,438	
Other Supplies and Materials		6,028	
Total Other Social, Cultural, and Recreational			65,216

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	2,309	
Rentals		12,000	
Other Contracted Services		28,834	
Electricity		1,081	
Office Supplies		411	
Water and Sewer		877	
Total Agriculture Extension Service			45,512

Soil Conservation

Communication	\$	549	
Contributions		4,812	
Rentals		3,840	
Electricity		403	
Total Soil Conservation			9,604

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations

Public Transportation

Supervisor/Director	\$	20,763	
Bus Drivers		105,064	
Social Security		9,923	
Unemployment Compensation		581	
Dues and Memberships		524	
Legal Notices, Recording, and Court Costs		496	
Maintenance & Repair Services - Vehicles		3,912	
Travel		1,344	
Gasoline		28,908	
Lubricants		1,955	
Office Supplies		964	
Tires and Tubes		3,041	
Vehicle Parts		6,638	
Vehicle and Equipment Insurance		23,070	
Other Charges		1,003	
Office Equipment		8,158	
Total Public Transportation			\$ 216,344

Veterans' Services

Other Salaries & Wages	\$	5,136	
Social Security		393	
Unemployment Compensation		62	
Communication		1,294	
Other Supplies and Materials		80	
Total Veterans' Services			6,965

Employee Benefits

State Retirement	\$	29,870	
Total Employee Benefits			29,870

Principal on Debt

General Government

Principal on Notes	\$	42,283	
Principal on Capital Leases		35,740	
Total General Government			78,023

Interest on Debt

General Government

Interest on Notes	\$	3,679	
Interest on Capital Leases		2,991	
Total General Government			6,670

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Debt Service

General Government

Other Debt Service	\$ 697	
Total General Government	<u>697</u>	\$ 697

Total General Fund \$ 3,410,794

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 16,099	
Truck Drivers	38,036	
Other Salaries & Wages	28,084	
Social Security	6,349	
Unemployment Compensation	421	
Contracts with Private Agencies	84,595	
Maintenance & Repair Services - Equipment	2,334	
Other Contracted Services	10,220	
Diesel Fuel	18,665	
Electricity	2,231	
Lubricants	1,323	
Tires and Tubes	4,467	
Vehicle Parts	361	
Other Supplies and Materials	459	
Trustee's Commission	4,702	
Vehicle and Equipment Insurance	7,111	
Total Sanitation Management	<u>225,457</u>	\$ 225,457

Total Solid Waste/Sanitation Fund 225,457

Health Department Fund

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,991	
Social Security	458	
Unemployment Compensation	72	
Communication	4,828	
Operating Lease Payments	1,926	
Maintenance Agreements	597	
Maintenance & Repair Services - Buildings	5,225	
Maintenance & Repair Services - Equipment	75	
Pest Control	342	

(Continued)

Exhibit J-7

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

Health Department Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	1,672	
Custodial Supplies		2,578	
Drugs and Medical Supplies		394	
Electricity		11,770	
Office Supplies		2,102	
Water and Sewer		1,475	
Other Supplies and Materials		65	
Building and Contents Insurance		1,603	
Other Charges		2,189	
Office Equipment		229	
Total Local Health Center			\$ 43,591

Total Health Department Fund \$ 43,591

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	400	
Total Drug Enforcement			\$ 400

Total Drug Control Fund 400

Other Special Revenue Fund

Public Health and Welfare

Other Local Health Services

Supervisor/Director	\$	77,163	
Medical Personnel		114,263	
Clerical Personnel		23,648	
Other Salaries & Wages		23,701	
In-Service Training		350	
Social Security		18,231	
Unemployment Compensation		919	
Audit Services		2,500	
Communication		7,537	
Dues and Memberships		700	
Legal Notices, Recording, and Court Costs		357	
Licenses		150	
Maintenance & Repair Services - Buildings		696	
Medical and Dental Services		108	
Postal Charges		18	

(Continued)

Exhibit J-7

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

Other Special Revenue Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Travel	\$	17,970	
Other Contracted Services		569,621	
Drugs and Medical Supplies		5,901	
Electricity		1,934	
General Construction Materials		33	
Office Supplies		4,405	
Water and Sewer		619	
Other Supplies and Materials		253	
Liability Insurance		187	
Refunds		300	
Other Charges		50	
Office Equipment		774	
Total Other Local Health Services			\$ 872,388

Total Other Special Revenue Fund \$ 872,388

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	51,226	
Accountants/Bookkeepers		20,500	
Laborers		306,388	
Overtime Pay		17,318	
Data Processing Services		4,524	
Office Supplies		1,761	
Utilities		12,112	
Total Administration			\$ 413,829

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	159,911	
Asphalt - Hot Mix		214,800	
Crushed Stone		170,944	
Pipe - Metal		10,644	
Other Supplies and Materials		13,650	
Total Highway and Bridge Maintenance			569,949

Operation and Maintenance of Equipment

Diesel Fuel	\$	38,614	
Equipment and Machinery Parts		22,749	
Gasoline		32,177	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Lubricants	\$	1,941	
Tires and Tubes		6,644	
Total Operation and Maintenance of Equipment			\$ 102,125

Other Charges

Dues and Memberships	\$	1,952	
Licenses		68	
Trustee's Commission		12,941	
Vehicle and Equipment Insurance		35,501	
Other Charges		7,164	
Total Other Charges			57,626

Employee Benefits

Social Security	\$	30,263	
State Retirement		3,120	
Life Insurance		10,521	
Unemployment Compensation		1,972	
Other Fringe Benefits		6,174	
Workers' Compensation Insurance		27,748	
Total Employee Benefits			79,798

Capital Outlay

Operating Lease Payments	\$	1,962	
Bridge Construction		133,769	
Highway Equipment		34,100	
State Aid Projects		294,909	
Total Capital Outlay			464,740

Total Highway/Public Works Fund \$ 1,688,067

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	271,190	
Principal on Notes		18,333	
Principal on Other Loans		84,200	
Total General Government			\$ 373,723

Education

Principal on Other Loans	\$	268,800	
Total Education			268,800

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 324,698	
Interest on Notes	2,325	
Interest on Other Loans	54,736	
Total General Government		\$ 381,759

Education

Interest on Other Loans	\$ 457,263	
Total Education		457,263

Other Debt Service

General Government

Trustee's Commission	\$ 14,226	
Other Debt Service	8,045	
Total General Government		22,271

Education

Other Debt Service	\$ 50,952	
Total Education		50,952

Total General Debt Service Fund \$ 1,554,768

General Capital Projects Fund

Capital Projects

General Administration Projects

Architects	\$ 7,774	
Legal Services	4,700	
Permits	25	
Building Improvements	293,697	
Total General Administration Projects		\$ 306,196

Total General Capital Projects Fund 306,196

Total Governmental Funds - Primary Government \$ 8,101,661

Exhibit J-8

Hancock County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,182,875	
Career Ladder Program	53,000	
Career Ladder Extended Contracts	42,600	
Other Salaries & Wages	26,000	
Non-certified Substitute Teachers	19,429	
Social Security	135,618	
State Retirement	142,320	
Medical Insurance	102,749	
Unemployment Compensation	8,094	
Employer Medicare	31,717	
Instructional Supplies and Materials	6,756	
Textbooks	69,124	
Regular Instruction Equipment	3,163	
Total Regular Instruction Program		\$ 2,823,445

Special Education Program

Teachers	\$ 405,976	
Career Ladder Program	9,000	
Educational Assistants	26,779	
Non-certified Substitute Teachers	2,920	
Social Security	26,329	
State Retirement	25,438	
Medical Insurance	20,398	
Unemployment Compensation	1,730	
Employer Medicare	6,158	
Other Contracted Services	27	
Total Special Education Program		524,755

Vocational Education Program

Teachers	\$ 281,645
Career Ladder Program	5,000
Educational Assistants	9,798
Non-certified Substitute Teachers	2,357
Social Security	17,797
State Retirement	17,571
Medical Insurance	7,645
Unemployment Compensation	1,064
Employer Medicare	4,162
Instructional Supplies and Materials	66

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

T&I Construction Materials	\$ 39,707	
Other Charges	668	
Total Vocational Education Program	<u>                    </u>	\$ 387,480

Adult Education Program

Teachers	\$ 18,960	
Other Salaries & Wages	2,000	
Social Security	1,300	
State Retirement	1,162	
Unemployment Compensation	169	
Employer Medicare	304	
Other Charges	1,204	
Total Adult Education Program	<u>                    </u>	25,099

Support Services

Health Services

Other Contracted Services	\$ 4,060	
Total Health Services	<u>                    </u>	4,060

Other Student Support

Career Ladder Program	\$ 2,000	
Guidance Personnel	92,583	
School Resource Officer	34,070	
Other Salaries & Wages	56,993	
Social Security	11,036	
State Retirement	5,798	
Medical Insurance	5,412	
Unemployment Compensation	1,101	
Employer Medicare	2,581	
Total Other Student Support	<u>                    </u>	211,574

Regular Instruction Program

Supervisor/Director	\$ 56,562
Career Ladder Program	8,500
Librarians	78,750
Materials Supervisor	48,789
Instructional Computer Personnel	38,611
Secretary(ies)	12,852
Other Salaries & Wages	45,200

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	17,247	
State Retirement		11,807	
Medical Insurance		7,645	
Unemployment Compensation		1,714	
Employer Medicare		4,034	
Consultants		3,000	
Maintenance & Repair Services - Equipment		30,188	
Travel		4,000	
Periodicals		80	
Other Supplies and Materials		11,562	
In Service/Staff Development		431	
Other Charges		14,200	
Total Regular Instruction Program			\$ 395,172

Special Education Program

Supervisor/Director	\$	52,748	
Career Ladder Program		2,600	
Social Security		3,022	
State Retirement		3,356	
Medical Insurance		4,826	
Unemployment Compensation		134	
Employer Medicare		707	
Travel		3,496	
Other Supplies and Materials		116	
Total Special Education Program			71,005

Vocational Education Program

Supervisor/Director	\$	52,452	
Career Ladder Program		1,000	
Social Security		3,140	
State Retirement		3,277	
Medical Insurance		2,233	
Unemployment Compensation		134	
Employer Medicare		734	
Travel		1,857	
Total Vocational Education Program			64,827

Adult Programs

Supervisor/Director	\$	55,362	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Career Ladder Program	\$	1,000	
Social Security		3,494	
State Retirement		3,455	
Unemployment Compensation		134	
Employer Medicare		817	
In Service/Staff Development		612	
Total Adult Programs			\$ 64,874

Board of Education

Board and Committee Members Fees	\$	6,200	
Social Security		384	
Unemployment Compensation		118	
Employer Medicare		90	
Audit Services		4,575	
Dues and Memberships		8,321	
Legal Services		6,325	
Travel		4,624	
Judgments		10,650	
Liability Insurance		89,549	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		29,822	
Other Charges		36,436	
Total Board of Education			197,444

Director of Schools

County Official/Administrative Officer	\$	75,201	
Social Security		4,352	
State Retirement		4,610	
Medical Insurance		5,412	
Unemployment Compensation		134	
Employer Medicare		1,018	
Other Fringe Benefits		1,375	
Communication		14,520	
Postal Charges		712	
Travel		1,672	
Administration Equipment		2,603	
Total Director of Schools			111,609

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	110,305	
Career Ladder Program		2,000	
Assistant Principals		53,442	
Secretary(ies)		32,752	
Social Security		11,934	
State Retirement		10,160	
Medical Insurance		3,655	
Unemployment Compensation		705	
Employer Medicare		2,791	
Travel		294	
Total Office of the Principal			\$ 228,038

Fiscal Services

Accountants/Bookkeepers	\$	58,919	
Social Security		3,632	
Unemployment Compensation		267	
Employer Medicare		849	
Travel		291	
Other Contracted Services		6,872	
Other Supplies and Materials		4,433	
Total Fiscal Services			75,263

Operation of Plant

Custodial Personnel	\$	83,281	
Social Security		5,320	
Unemployment Compensation		923	
Employer Medicare		1,244	
Maintenance & Repair Services - Equipment		5,000	
Disposal Fees		3,696	
Other Contracted Services		8,964	
Custodial Supplies		10,000	
Electricity		286,793	
Natural Gas		11,868	
Water and Sewer		20,605	
Total Operation of Plant			437,694

Maintenance of Plant

Supervisor/Director	\$	14,790	
Social Security		966	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Unemployment Compensation	\$	121	
Employer Medicare		226	
Maintenance & Repair Services - Buildings		14,526	
Maintenance & Repair Services - Equipment		32,000	
Other Supplies and Materials		47	
Maintenance Equipment		7,500	
Total Maintenance of Plant			\$ 70,176

Transportation

Supervisor/Director	\$	20,400	
Mechanic(s)		8,413	
Bus Drivers		145,553	
Other Salaries & Wages		11,116	
Social Security		11,234	
State Retirement		681	
Medical Insurance		1,095	
Unemployment Compensation		2,233	
Employer Medicare		2,627	
Maintenance & Repair Services - Vehicles		31,692	
Travel		900	
Diesel Fuel		45,911	
Gasoline		29,932	
Tires and Tubes		8,148	
Other Charges		3,151	
Transportation Equipment		186,874	
Total Transportation			509,960

Central and Other

Other Salaries & Wages	\$	302,037	
Social Security		18,381	
State Retirement		10,392	
Medical Insurance		6,338	
Unemployment Compensation		1,357	
Employer Medicare		4,299	
Travel		843	
Other Contracted Services		10,000	
Other Supplies and Materials		63,766	
Total Central and Other			417,413

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Educational Assistants	\$	7,090	
Other Salaries & Wages		29,107	
Social Security		2,232	
State Retirement		1,784	
Unemployment Compensation		254	
Employer Medicare		522	
Travel		44	
Other Contracted Services		5,690	
Other Supplies and Materials		3,290	
Other Charges		1,597	
Total Community Services			\$ 51,610

Early Childhood Education

Other Salaries & Wages	\$	112,584	
Social Security		6,888	
State Retirement		4,923	
Medical Insurance		1,295	
Unemployment Compensation		728	
Employer Medicare		1,611	
Other Supplies and Materials		1,972	
Total Early Childhood Education			130,001

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	167,310	
Total Regular Capital Outlay			167,310

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	732,081	
Total Education			732,081

Total General Purpose School Fund \$ 7,700,890

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	275,895	
Educational Assistants		47,290	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Non-certified Substitute Teachers	\$	3,720	
Social Security		19,611	
State Retirement		17,256	
Medical Insurance		10,898	
Unemployment Compensation		1,470	
Employer Medicare		4,586	
Instructional Supplies and Materials		4,798	
Other Supplies and Materials		10,423	
Regular Instruction Equipment		28,877	
Total Regular Instruction Program			\$ 424,824

Special Education Program

Educational Assistants	\$	150,821	
Social Security		9,319	
Unemployment Compensation		1,996	
Employer Medicare		2,179	
Other Contracted Services		29,652	
Instructional Supplies and Materials		8,182	
Textbooks		2,000	
Other Supplies and Materials		4,988	
Total Special Education Program			209,137

Vocational Education Program

Educational Assistants	\$	9,435	
Social Security		563	
Unemployment Compensation		124	
Employer Medicare		132	
Other Contracted Services		750	
Instructional Supplies and Materials		5,768	
Vocational Instruction Equipment		14,828	
Total Vocational Education Program			31,600

Support Services

Other Student Support

Other Salaries & Wages	\$	50,370	
Social Security		3,107	
State Retirement		2,661	
Unemployment Compensation		134	
Employer Medicare		727	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Maintenance & Repair Services - Equipment	\$	139	
Travel		6,273	
Other Contracted Services		5,000	
In Service/Staff Development		1,200	
Other Charges		5,061	
Total Other Student Support			\$ 74,672

Regular Instruction Program

Supervisor/Director	\$	44,462	
Clerical Personnel		17,238	
Social Security		3,652	
State Retirement		2,726	
Medical Insurance		2,024	
Unemployment Compensation		115	
Employer Medicare		854	
Maintenance & Repair Services - Equipment		1,400	
Travel		2,424	
Library Books/Media		6,787	
Other Supplies and Materials		7,144	
In Service/Staff Development		26,734	
Other Equipment		49,470	
Total Regular Instruction Program			165,030

Vocational Education Program

Travel	\$	585	
Total Vocational Education Program			585

Transportation

Bus Drivers	\$	18,021	
Social Security		1,117	
Unemployment Compensation		204	
Employer Medicare		261	
Diesel Fuel		1,400	
Total Transportation			21,003

Operation of Non-Instructional Services

Early Childhood Education

Other Salaries & Wages	\$	65,269	
Social Security		4,040	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Unemployment Compensation	\$	620	
Employer Medicare		945	
Other Supplies and Materials		376	
In Service/Staff Development		3,750	
Total Early Childhood Education			\$ 75,000

Total School Federal Projects Fund \$ 1,001,851

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	46,944	
Cafeteria Personnel		125,734	
Social Security		10,682	
State Retirement		2,878	
Unemployment Compensation		1,607	
Employer Medicare		2,498	
Maintenance & Repair Services - Equipment		7,373	
Travel		892	
Other Contracted Services		5,394	
Food Supplies		327,703	
Other Supplies and Materials		3,300	
In Service/Staff Development		840	
Total Food Service			\$ 535,845

Total Central Cafeteria Fund 535,845

Total Governmental Funds - Hancock County School Department \$ 9,238,586

Exhibit J-9

Hancock County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 147,483
Total Cash Receipts	<u>\$ 147,483</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 146,008
Trustee's Commission	<u>1,475</u>
Total Cash Disbursements	<u>\$ 147,483</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

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

August 27, 2007

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

To the County Mayor and County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Hancock County's basic financial statements and have issued our report thereon dated August 27, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Hancock County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. 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 Hancock County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.02(A,B), 07.03, 07.04(B,C), and 07.07.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hancock County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider items 07.02(A,B) and 07.04(B,C) to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hancock County'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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02(C), 07.04(A), and 07.05.

We consider item 07.06 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Hancock County in separate communications.

Hancock County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hancock County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Hancock County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

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

August 27, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hancock County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Hancock County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hancock County's management. Our responsibility is to express an opinion on Hancock County'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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County's 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 of Hancock County's compliance with those requirements.

In our opinion, Hancock County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Hancock County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hancock County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

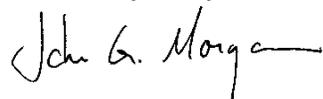
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County as of and for the year ended June 30, 2007, and have issued our report thereon dated August 27, 2007. Our report on the aggregate discretely presented component unit's financial statements was qualified due to not including the financial statements of the Hancock County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of

this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hancock County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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.

Hancock County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hancock County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Hancock County, 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.

Yours very truly,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

Hancock County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 312,615
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	24,427
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	116,285
National School Lunch Program	10.555	N/A	302,245
Passed-through Clinch Powell Resource Conservation and Development Council:			
Empowerment Zones Program	10.772	N/A	37,500
Total U.S. Department of Agriculture			<u>\$ 793,072</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	GG-07-12697-00	\$ 26,716
Total U.S. Department of Justice			<u>\$ 26,716</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Federal Transit - Capital Investment Grants	20.500	GG-07-12440-00	\$ 50,493
Formula Grants for Other Than Urbanized Areas	20.509	N/A	68,475
Total U.S. Department of Transportation			<u>\$ 118,968</u>
Appalachian Regional Commission:			
Passed-through East Tennessee State University:			
Appalachian Regional Development	23.001	(2)	\$ 3,000
Passed-through Marshall University:			
Appalachian Area Development	23.002	(2)	2,936
Total Appalachian Regional Commission			<u>\$ 5,936</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	(2)	\$ 47,263
Title I Grants to Local Educational Agencies	84.010	N/A	481,952
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	251,381
Special Education - Preschool Grants	84.173	N/A	9,257
Vocational Education - Basic Grants to States	84.048	N/A	32,734
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	8,635
Even Start - State Educational Agencies	84.213	(2)	75,000
State Grants for Innovative Programs	84.298	N/A	54,766
Education Technology State Grants	84.318	(2)	5,413
Rural Education	84.358	N/A	28,877
Improving Teacher Quality State Grants	84.367	N/A	53,007
Total U.S. Department of Education			<u>\$ 1,048,285</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State: Help America Vote Act Requirements Payments	90.401	Z-07-037399-00	\$ 4,913
Total U.S. Election Assistance Commission			<u>\$ 4,913</u>
U.S. Department of Health and Human Services:			
Direct Program:			
Health Care and Other Facilities	93.887	N/A	\$ 88,706
Passed-through State Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	GG-07-12688-00	18,900
Total U.S. Department of Health and Human Services			<u>\$ 107,606</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military: Homeland Security Grant Program	97.067	Z-05025163-01	\$ 18,689
Total U.S. Department of Homeland Security			<u>\$ 18,689</u>
Total Expenditures of Federal Awards			<u>\$ 2,124,185</u>
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-07-036536-00	\$ 9,000
Litter Program - State Department of Transportation	N/A	(2)	27,199
Waste Tire Grant - State Department of Transportation	N/A	(2)	3,154
Adult Basic Education - State Department of Education	N/A	(2)	12,160
Families First Grant - State Department of Education	N/A	(2)	14,505
Families Resource Center Grant - State Department of Education	N/A	(2)	33,300
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	130,000
Safe Schools Act Grant - State Department of Education	N/A	(2)	7,518
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	399,914
Health Department Program - State Department of Health	N/A	Z-07-031600-00	3,455
State Reappraisal - Comptroller of the Treasury	N/A	(2)	2,655
Total State Grants			<u>\$ 642,860</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Information not available.

Hancock County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, for the year ended June 30, 2006, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.02	13	A formal purchase order system had not been established
06.03	13	The office had purchasing deficiencies
06.05	15	Expenditures exceeded appropriations

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.06	16	Unidentified amounts from the former circuit and general sessions courts clerk were not remitted to the state as unclaimed property

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.09	17	A central system of accounting, budgeting, and purchasing was not adopted
06.10	17	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**HANCOCK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Hancock County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Hancock County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. Our audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Facilities Loans and Grants (CFDA No. 10.766), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education – Grants to States and the 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. Hancock County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### OFFICE OF COUNTY MAYOR

**FINDING 07.01      A TAX ANTICIPATION NOTE WAS NOT RETIRED IN COMPLIANCE WITH STATE STATUTES**  
(Material Noncompliance Under Government Auditing Standards)

On April 25, 2007, the General Fund borrowed \$250,000 from the General Debt Service Fund to provide cash for operations. Section 9-21-801, Tennessee Code Annotated, authorizes the County Commission to issue tax anticipation notes with the approval of the state director of Local Finance provided the notes are retired by the end of the current fiscal year. This note was not retired by June 30, 2007. Therefore, this note has been reflected in the financial statements of this report as Due from Other Funds in the General Fund and Due to Other Funds in the General Debt Service Fund. County officials have submitted a plan to the state director of Local Finance to retire this note in 2007-08.

### RECOMMENDATION

Tax anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

During the budget process for the 2007 budget, I used my first and only veto. The county legislative body passed a budget that had cuts in the Sheriff's Department food and medicine line items that were not realistic, and cuts for the Emergency Medical Services without a reduction in force (personnel). Because of these actions the county was forced to borrow from the fund balance of the General Debt Service Fund to continue general operations in the General Fund.

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**FINDING 07.02      THE GENERAL FUND HAD A DEFICIT IN THE UNRESERVED FUND BALANCE ACCOUNT**  
(A. and B. – Internal Control – Material Weakness Under Government Auditing Standards; C. – Material Noncompliance Under Government Auditing Standards)

The General Fund had a deficit of \$53,376 in the unreserved fund balance account at June 30, 2007. This fund deficit resulted primarily from various deficiencies in budget operations as discussed on the following page:

- A. Actual revenues and other sources were under budget estimates by \$118,144. This was primarily attributable to revenues for patient charges related to the Ambulance Service being under revenue estimates by \$122,470. Also, two Health Department grants totaling \$126,700 were included in estimated revenues and appropriations but were not received or expended during the year.
- B. Amendments to the General Fund budget during the year increased appropriations by \$94,876. These amendments did not identify revenue sources to fund these additional appropriations and resulted in appropriations exceeding estimated revenues and available funds by \$4,169.
- C. Expenditures exceeded appropriations approved by the County Commission in the Jail (\$163,953) and the General Government Other Debt Service (\$697) major appropriation categories (the legal level of control). It should be noted that the majority of the overexpenditure in the Jail major appropriation category resulted from a state inmate's medical expenses (\$103,798) which occurred late in the fiscal year; however, even without the additional medical liability, the Jail major appropriation category would still have been overspent by \$60,155.

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

#### RECOMMENDATION

Revenues and other sources should be monitored during the year, and the budget should be amended when it becomes apparent that significant amounts of estimated revenues and other sources will not materialize. Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission. County officials should ensure that expenditures are held within appropriations approved by the County Commission. County officials should liquidate the fund deficit and should monitor the financial activity of the General Fund to ensure that the fund deficit does not recur.

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

- A. The revenue of the EMS declined because of two factors, the death of a dialysis patient who had previously generated \$100,000 per year, and the new critical access hospital which reduced loaded mile reimbursement rates by \$7 per mile. I ordered the EMS director to reduce force (layoff) by five full-time EMT-Basic employees. The chairman of the County Commission and key members of the legislative body told the EMS director to disregard my orders, and they would amend the budget.

The state Department of Public Health had a grant to provide a dentist for children during the past budget (2006), and implied that the grant would continue. We placed, in the 2007 budget, funds for the continuation of this service. The state transferred the dentist to Hawkins County, and we failed to accurately reflect this in our budget.

- B. The results of not reducing the staff resulted in overspending the budget. Reducing the staff by five EMT employees at \$25,000 each (\$125,000) would have prevented this problem.
- C. The actions of the legislative body to cut funding for food and medicine in the Sheriff's Department budget was vetoed by the mayor and overridden by the legislative body.

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**FINDING 07.03      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit of the County Mayor's Office revealed the following purchasing deficiencies:

- A. The County Mayor's Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. Hancock County had not developed procedures to ensure that bids were solicited for all required purchases. Currently, bids are solicited and awarded by the various department heads and officials, and in most instances, the documentation relating to the bid procurement is maintained by these individuals. Bid tabulation forms were not used, and there were no standard procedures of awarding bids. Based on these deficiencies, the County Mayor's Office does not have adequate documentation to determine if bids have been properly issued and awarded when paying invoices.

**RECOMMENDATION**

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments. County officials should develop written policies and procedures for soliciting and awarding bids. These policies and procedures should include details for the solicitation, public advertisement, documentation, award, and approval of bids. All documentation of the competitive process should be filed in the County Mayor's Office to support the payment of invoices.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

I have placed in the 2008 budget, personnel (a purchasing agent who monitors bids and tracks equipment) and a new computer (Local Government) to accurately track spending. This is contingent on legislative body adoption.

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### FINDING 07.04      **DEFICIENCIES WERE NOTED IN AMBULANCE SERVICE OPERATIONS**

(A. – Noncompliance Under Government Auditing Standards; B. and C. – Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of Ambulance Service operations revealed the following deficiencies:

- A.      During the year, the Ambulance Service director entered into a contract with a billing agency. This contract provides for the billing agency to charge a service fee of seven percent of the amount collected. This fee provision is essentially an appropriation of county funds. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” Documentation was not provided to us indicating that this contract had been approved by the County Commission.
  
- B.      The billing agency maintains all records related to patient charges. Hancock County receives the payments and explanation of benefits forms and forwards copies to the billing agency. However, the county does not receive any documentation from the billing agency related to the actual billing and posting of payments or write-offs to patient accounts. Therefore, the county is unable to perform any type of account reconciliations.
  
- C.      Trip tickets used by the Ambulance Service were not prenumbered. It should be noted that the Ambulance Service utilizes a sequential numbering system when recording trip tickets to the log sheets. However, this system does not necessarily ensure a proper accounting of all trip tickets.

### RECOMMENDATION

Contracts for Hancock County should be signed by the county mayor, and appropriations should be approved by the County Commission. Records should be maintained by the Ambulance Service. Reconciliations should be regularly performed to ensure that the billing agency is properly billing trip tickets and payments and write-offs are properly posted to individual patients' accounts. Pre-numbered trip tickets should be utilized to ensure all trip tickets are properly accounted.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

- A. The EMS board voted on the purchase. I understand the need for legislative body action and will make every effort to prevent a repeat of this action. I did not know the director had signed the contract until after the fact. I will make every effort not to allow a repeat of this problem.
  - B. I have requested the EMS director to address this issue. EMS Consultants, LLC has advised me they can generate monthly reports that will track patient charges.
  - C. We are in the process of implementing paperless trip tickets (a computer) that would automatically number trips.
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OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.05      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Material Noncompliance Under Government Auditing Standards)

At June 30, 2007, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. The clerk held unidentified funds of \$58,613 and \$42,290 in Circuit and General Sessions Courts, respectively, which were carried forward from the former clerk who left office August 31, 2002. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trial balances should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.06**      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING WAS NOT ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

### **RECOMMENDATION**

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

### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

Because of the current political environment, I do not feel that the School or Highway Departments will agree to centralized purchasing, but the county mayor has proposed a purchasing agent and tracking system that are contingent on legislative body adoption.

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**FINDING 07.07**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal programs.

**HANCOCK COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2007**

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

**County Mayor – Summary of Prior Year's Findings**

FINDINGS 06.04 and 06.11

I met with Wellmont Health Systems and explained the problems with the documentation of their bid process and have made the executive decision that in the future all bids will be solicited through the Office of County Mayor. I have requested, to be placed on the County Commission's docket, the hiring of a full-time person to (1) be the purchasing agent, (2) track and monitor all county property, and (3) conduct all future bids to assure compliance. I believe these actions should provide adequate control and documentation, and meet debarment requirements in the future. (The action is contingent on county legislative body action.)