

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
HARTSVILLE/TROUSDALE
COUNTY GOVERNMENT, 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

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Audit Highlights

Annual Financial Report
Hartsville/Trousdale County Government, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hartsville/Trousdale County Government as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The government had not completed the steps set forth in the implementation plan for GASB Statement No. 34 filed with the Comptroller of the Treasury.

OFFICE OF COUNTY EXECUTIVE

- ◆ Purchase orders were not issued for some required purchases. Also, several invoices were paid without documentation that goods had been received or services had been rendered.
 - ◆ The Office of Building Inspector did not issue prenumbered receipts for some collections and did not deposit funds collected within three days of receipt as required by state statutes.
 - ◆ Deficiencies noted in the administration of the Water and Sewer Department included: (1) capital assets records were deficient; (2) material liabilities were not determined and recorded on the accounting records; and (3) duties were not segregated adequately.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ A formal purchase order system had not been established.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ School Department employee bonuses paid by the General Fund are of questionable legality.

INTRODUCTORY SECTION

Hartsville/Trousdale County Government Officials

June 30, 2007

Officials

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

Hartsville/Trousdale County Government Commissioners

| | |
|-----------------------|----------------|
| Jerry Clift, Chairman | |
| Freddie Banks | James McDonald |
| Wayne Brown | Donald Moss |
| Walt Buckingham | David Nollner |
| Dewayne Byrd | Chris Oldham |
| William Fergusson | John Oliver |
| Richard Johnson | Carol Pruett |
| Mark Jones | Tim Roberson |
| Mike Keisling | Roy Skinner |
| Johnny Kerr | Phillip Taylor |
| Phyllis Martinez | Robert Thurman |

Highway Commission

Jerry Clift, Chairman
Charles Beasley
James McCadden

Water and Sewerage Board

Pat Fergusson, Chairman
Richard Beal
Phyllis Martinez
Hattie McDonald
Dennis Oldham

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

March 20, 2008

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund, except for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 45, which collectively comprise a portion of the government's basic financial statements required by accounting principles generally accepted in the United States of America. We were also engaged to audit the financial statements of the Hartsville/Trousdale County Government Water and Sewer Fund, a major proprietary fund, as of and for the year ended June 30, 2007. These financial statements are the responsibility of Hartsville/Trousdale County Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hartsville/Trousdale County Government, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

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

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

Also, in our opinion, except for the financial statements of the Hartsville/Trousdale County Government Water and Sewer Fund (major fund) as noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the other major funds and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2008, on our consideration of Hartsville/Trousdale County Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 49 through 55 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 Hartsville/Trousdale County Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the Education Debt Service Fund, and the miscellaneous schedules, except for information presented for the Hartsville/Trousdale County Government Water and Sewer Fund (major fund), have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hartsville/ Trousdale County Government, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

| | Major Funds | | | | Nonmajor Funds | Total Govern- mental Funds |
|--|---------------------|---------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| | General | Urban Services | Highway / Public Works | Education Debt Service | Other Govern- mental Funds | |
| <u>ASSETS</u> | | | | | | |
| Equity in Pooled Cash and Investments | \$ 1,816,981 | \$ 557,605 | \$ 480,732 | \$ 686,720 | \$ 643,112 | \$ 4,185,150 |
| Accounts Receivable | 5,012 | 0 | 0 | 1,000 | 9,157 | 15,169 |
| Due from Other Governments | 118,734 | 0 | 223,583 | 0 | 0 | 342,317 |
| Due from Other Funds | 0 | 9,675 | 2,924 | 0 | 0 | 12,599 |
| Property Taxes Receivable | 1,663,884 | 469,023 | 0 | 255,550 | 425,917 | 2,814,374 |
| Allowance for Uncollectible Property Taxes | (72,213) | (20,016) | 0 | (10,972) | (18,286) | (121,487) |
| Total Assets | \$ 3,532,398 | \$ 1,016,287 | \$ 707,239 | \$ 932,298 | \$ 1,059,900 | \$ 7,248,122 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| <u>Liabilities</u> | | | | | | |
| Accounts Payable | \$ 31,862 | \$ 1,502 | \$ 4,755 | \$ 0 | \$ 9,843 | \$ 47,962 |
| Accrued Payroll | 0 | 0 | 35,715 | 0 | 0 | 35,715 |
| Payroll Deductions Payable | 730 | 0 | 0 | 0 | 0 | 730 |
| Due to State of Tennessee | 0 | 0 | 1,246 | 0 | 0 | 1,246 |
| Deferred Revenue - Current Property Taxes | 1,515,206 | 421,711 | 0 | 233,108 | 388,514 | 2,558,539 |
| Deferred Revenue - Delinquent Property Taxes | 68,932 | 24,796 | 0 | 10,340 | 17,234 | 121,302 |
| Other Deferred Revenues | 67,603 | 0 | 116,414 | 0 | 1,609 | 185,626 |
| Total Liabilities | \$ 1,684,333 | \$ 448,009 | \$ 158,130 | \$ 243,448 | \$ 417,200 | \$ 2,951,120 |
| <u>Fund Balances</u> | | | | | | |
| Reserved for Purchase of Electronic Fingerprint Imaging System | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 7,482 | \$ 7,482 |
| Reserved for Alcohol and Drug Treatment | 23,348 | 0 | 0 | 0 | 0 | 23,348 |
| Reserved for Litter Enforcement Awards | 525 | 0 | 0 | 0 | 0 | 525 |
| Reserved for Sexual Offender Registration | 2,609 | 0 | 0 | 0 | 0 | 2,609 |
| Reserved for Computer System - Register | 13,250 | 0 | 0 | 0 | 0 | 13,250 |
| Reserved for Automation Purposes - Circuit Court | 2,192 | 0 | 0 | 0 | 0 | 2,192 |
| Reserved for Automation Purposes - General Sessions Court | 26,044 | 0 | 0 | 0 | 0 | 26,044 |
| Reserved for Automation Purposes - Chancery Court | 797 | 0 | 0 | 0 | 0 | 797 |
| Reserved for Automation Purposes - Sheriff | 115 | 0 | 0 | 0 | 0 | 115 |

(Continued)

Exhibit A

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

| | Major Funds | | | | Nonmajor Funds | Total Govern- mental Funds |
|--|---------------------|---------------------|------------------------------|------------------------------|-------------------------------------|-------------------------------------|
| | General | Urban Services | Highway / Public Works | Education Debt Service | Other Govern- mental Funds | |
| <u>LIABILITIES AND FUND BALANCES (Cont.)</u> | | | | | | |
| <u>Fund Balances (Cont.)</u> | | | | | | |
| Reserved for Capital Outlay | \$ 0 | \$ 0 | \$ 290,096 | \$ 0 | \$ 21,582 | \$ 311,678 |
| Unreserved, Reported In: | | | | | | |
| General Fund | 1,779,185 | 0 | 0 | 0 | 0 | 1,779,185 |
| Special Revenue Funds | 0 | 568,278 | 259,013 | 0 | 239,368 | 1,066,659 |
| Debt Service Funds | 0 | 0 | 0 | 688,850 | 293,939 | 982,789 |
| Capital Projects Funds | 0 | 0 | 0 | 0 | 80,329 | 80,329 |
| Total Fund Balances | <u>\$ 1,848,065</u> | <u>\$ 568,278</u> | <u>\$ 549,109</u> | <u>\$ 688,850</u> | <u>\$ 642,700</u> | <u>\$ 4,297,002</u> |
| Total Liabilities and Fund Balances | <u>\$ 3,532,398</u> | <u>\$ 1,016,287</u> | <u>\$ 707,239</u> | <u>\$ 932,298</u> | <u>\$ 1,059,900</u> | <u>\$ 7,248,122</u> |

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

Exhibit B

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

| | Major Funds | | | | Nonmajor Funds | Total Governmental Funds |
|--|--------------|-------------------|------------------------------|------------------------------|-------------------------------------|--------------------------------|
| | General | Urban Services | Highway / Public Works | Education Debt Service | Other Govern- mental Funds | |
| <u>Revenues</u> | | | | | | |
| Local Taxes | \$ 2,456,853 | \$ 502,353 | \$ 0 | \$ 639,681 | \$ 400,669 | \$ 3,999,556 |
| Licenses and Permits | 61,503 | 7,853 | 0 | 0 | 0 | 69,356 |
| Fines, Forfeitures, and Penalties | 65,667 | 0 | 0 | 0 | 29,982 | 95,649 |
| Charges for Current Services | 26,043 | 116,152 | 0 | 0 | 88,270 | 230,465 |
| Other Local Revenues | 314,292 | 260 | 4,808 | 33,284 | 70,538 | 423,182 |
| Fees Received from County Officials | 406,593 | 0 | 0 | 0 | 0 | 406,593 |
| State of Tennessee | 338,794 | 2,400 | 1,626,223 | 0 | 5,641 | 1,973,058 |
| Federal Government | 725,105 | 0 | 0 | 0 | 0 | 725,105 |
| Other Governments and Citizens Groups | 8,264 | 500 | 0 | 75,000 | 170,000 | 253,764 |
| Total Revenues | \$ 4,403,114 | \$ 629,518 | \$ 1,631,031 | \$ 747,965 | \$ 765,100 | \$ 8,176,728 |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| General Government | \$ 829,436 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 829,436 |
| Finance | 294,611 | 0 | 0 | 0 | 0 | 294,611 |
| Administration of Justice | 283,212 | 0 | 0 | 0 | 12,869 | 296,081 |
| Public Safety | 1,659,508 | 316,716 | 0 | 0 | 25,118 | 2,001,342 |
| Public Health and Welfare | 342,873 | 142,951 | 0 | 0 | 325,723 | 811,547 |
| Social, Cultural, and Recreational Services | 181,478 | 2,000 | 0 | 0 | 0 | 183,478 |
| Agriculture and Natural Resources | 48,266 | 0 | 0 | 0 | 0 | 48,266 |
| Other Operations | 739,576 | 86,812 | 0 | 0 | 8,931 | 835,319 |
| Highways | 0 | 51,271 | 1,630,895 | 0 | 0 | 1,682,166 |
| Debt Service: | | | | | | |
| Principal on Debt | 22,933 | 39,002 | 0 | 351,000 | 217,288 | 630,223 |
| Interest on Debt | 0 | 1,863 | 0 | 327,014 | 112,961 | 441,838 |
| Other Debt Service | 0 | 0 | 0 | 9,020 | 3,030 | 12,050 |
| Capital Projects | 189,077 | 0 | 0 | 0 | 36,123 | 225,200 |
| Total Expenditures | \$ 4,590,970 | \$ 640,615 | \$ 1,630,895 | \$ 687,034 | \$ 742,043 | \$ 8,291,557 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (187,856) | \$ (11,097) | \$ 136 | \$ 60,931 | \$ 23,057 | \$ (114,829) |

(Continued)

Exhibit B

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

| | Major Funds | | | | Nonmajor | Total |
|---------------------------------------|---------------------|-------------------|------------------------------|------------------------------|-------------------------------------|---------------------|
| | General | Urban Services | Highway / Public Works | Education Debt Service | Other Govern- mental Funds | |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Notes Issued | \$ 170,000 | \$ 0 | \$ 300,000 | \$ 0 | \$ 0 | \$ 470,000 |
| Capital Leases Issued | 61,975 | 61,975 | 0 | 0 | 0 | 123,950 |
| Insurance Recovery | 0 | 0 | 8,850 | 0 | 0 | 8,850 |
| Transfers In | 20,498 | 0 | 0 | 2,501 | 0 | 22,999 |
| Transfers Out | 0 | 0 | 0 | 0 | (22,999) | (22,999) |
| Total Other Financing Sources (Uses) | <u>\$ 252,473</u> | <u>\$ 61,975</u> | <u>\$ 308,850</u> | <u>\$ 2,501</u> | <u>\$ (22,999)</u> | <u>\$ 602,800</u> |
| Net Change in Fund Balances | \$ 64,617 | \$ 50,878 | \$ 308,986 | \$ 63,432 | \$ 58 | \$ 487,971 |
| Fund Balance, July 1, 2006 | <u>1,783,448</u> | <u>517,400</u> | <u>240,123</u> | <u>625,418</u> | <u>642,642</u> | <u>3,809,031</u> |
| Fund Balance, June 30, 2007 | <u>\$ 1,848,065</u> | <u>\$ 568,278</u> | <u>\$ 549,109</u> | <u>\$ 688,850</u> | <u>\$ 642,700</u> | <u>\$ 4,297,002</u> |

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

Exhibit C-1

Hartsville/Trousdale County Government, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2007

| | Major Fund |
|---|---------------------------------|
| | <u>Enterprise Fund</u> |
| | <u>Water and Sewer Fund</u> |
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash | \$ 2,172,577 |
| Accounts Receivable (net of allowance for uncollectibles) | 159,147 |
| Total Current Assets | <u>\$ 2,331,724</u> |
| Noncurrent Assets: | |
| Capital Assets: | |
| Assets Not Depreciated: | |
| Land | \$ 22,043 |
| Assets Net of Accumulated Depreciation: | |
| Buildings and Improvements | 9,000 |
| Other Capital Assets | 7,906,662 |
| Total Noncurrent Assets | <u>\$ 7,937,705</u> |
| Total Assets | <u>\$ 10,269,429</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Accounts Payable | \$ 26,358 |
| Payroll Deductions Payable | 1,980 |
| Compensated Absences | 17,357 |
| Contracts Payable | 72,252 |
| Retainage Payable | 40,913 |
| Due to Other Funds | 9,675 |
| Due to State of Tennessee | 17,094 |
| Revenue Bonds Payable | 226,194 |
| Total Current Liabilities | <u>\$ 411,823</u> |
| Noncurrent Liabilities: | |
| Revenue Bonds Payable | \$ 744,974 |
| Compensated Absences | 6,546 |
| Total Noncurrent Liabilities | <u>\$ 751,520</u> |
| Total Liabilities | <u>\$ 1,163,343</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | \$ 6,966,538 |
| Unrestricted | <u>2,139,548</u> |
| Total Net Assets | <u>\$ 9,106,086</u> |

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

Exhibit C-2

Hartsville/Trousdale County Government, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

| | Major Fund |
|---|---------------------------------|
| | <u>Enterprise Fund</u> |
| | <u>Water and Sewer Fund</u> |
| <u>Operating Revenues</u> | |
| Charges for Current Services | \$ 1,724,114 |
| Other Local Revenues | 81,349 |
| Total Operating Revenues | <u>\$ 1,805,463</u> |
| <u>Operating Expenses</u> | |
| Other Public Health and Welfare | \$ 2,202,067 |
| Total Operating Expenses | <u>\$ 2,202,067</u> |
| Operating Income (Loss) | <u>\$ (396,604)</u> |
| <u>Nonoperating Revenues (Expenses)</u> | |
| Interest Expense | \$ (45,452) |
| Grant Income | 534,704 |
| Investment Income | 68,916 |
| Total Nonoperating Revenues (Expenses) | <u>\$ 558,168</u> |
| Net Income (Loss) | <u>\$ 161,564</u> |
| Changes in Net Assets | \$ 161,564 |
| Net Assets, July 1, 2006 | <u>8,944,522</u> |
| Net Assets, June 30, 2007 | <u><u>\$ 9,106,086</u></u> |

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

Exhibit C-3

Hartsville/Trousdale County Government, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

| | Major Fund |
|---|-------------------------|
| | Enterprise Fund |
| | Water and Sewer Fund |
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from Customers and Users | \$ 1,541,824 |
| Other Local Revenues | 81,349 |
| Payments to Suppliers and Vendors | (1,458,216) |
| Payments to Employees | (632,444) |
| Refunds of Customer Deposits | (196,289) |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ (663,776)</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Grants Received | \$ 534,704 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>\$ 534,704</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Principal Paid on Revenue Bonds | \$ (220,019) |
| Interest Paid on Revenue Bonds | (45,452) |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>\$ (265,471)</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Investment Income | \$ 68,916 |
| Net Cash Provided By (Used In) Investing Activities | <u>\$ 68,916</u> |
| Net Increase (Decrease) in Cash | \$ (325,627) |
| Cash, July 1, 2006 | <u>2,498,204</u> |
| Cash, June 30, 2007 | <u>\$ 2,172,577</u> |
| <u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u> | |
| Operating Income (Loss) | \$ (396,604) |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities: | |
| (Increase) Decrease in Accounts Receivable | (154,915) |
| Increase (Decrease) in Accounts Payable | (3,884) |
| Increase (Decrease) in Payroll Deductions Payable | (4,716) |
| Increase (Decrease) in Contracts Payable | 72,252 |
| Increase (Decrease) in Retainage Payable | 4,959 |
| Increase (Decrease) in Due to Other Funds | 9,675 |
| Increase (Decrease) in Due to State of Tennessee | 9,219 |
| Increase (Decrease) in Customer Deposits | (223,665) |
| Increase (Decrease) in Compensated Absences | 23,903 |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ (663,776)</u> |

Exhibit D

Hartsville/Trousdale County Government, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

| | <u>Agency Funds</u> |
|---------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Equity in Pooled Cash and Investments | \$ 738,089 |
| Cash | 560,407 |
| Accounts Receivable | 1,606 |
| Due from Other Governments | <u>13,000</u> |
| Total Assets | <u>\$ 1,313,102</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | \$ 355 |
| Cash Overdraft | 1,056 |
| Due to Litigants, Heirs, and Others | 560,957 |
| Due to Joint Venture | <u>750,734</u> |
| Total Liabilities | <u>\$ 1,313,102</u> |

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

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Hartsville/Trousdale County Government has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. Hartsville/Trousdale County Government has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Hartsville/Trousdale County Government's auditor to issue an adverse opinion on the consolidated government's financial statements.

Although Hartsville/Trousdale County Government's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Office:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds – These funds account for amounts used for the construction of capital facilities.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and state grants and other restricted revenues held for the benefit of the Fifteenth Judicial District Drug Task Force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Hartsville/Trousdale County Government has elected not to follow subsequent private-sector guidance.

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

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollected property taxes is equal to 2.35 percent of total taxes levied.

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

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

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

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

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

Retainage payable in the Water and Sewer Fund represents amounts withheld from payments made to contractors to ensure contract performance. These amounts are held in a demand deposit account.

3. Capital Assets

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

Capital assets are reported in the statement of net assets of the proprietary fund. However, Hartsville/Trousdale County Government's Water and Sewer Department does not maintain capital assets records as required by generally accepted accounting principles. See the Schedule of Findings and Questioned Costs section of this report for further details. Assets were generally recorded at historical cost when purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

4. Compensated Absences

Hartsville/Trousdale County Government permits employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation of service or upon request annually under certain provisions. Employees also may accumulate an unlimited number of sick leave days. The cost of

vacation benefits is recognized when payments are made to employees. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave is accrued when incurred in proprietary funds using the accrual basis of accounting. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Long-term Obligations

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

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Overdraft

The Constitutional Officers - Agency Fund had a cash overdraft of \$1,056 on June 30, 2007. This cash overdraft resulted from uncollected bad checks held in the Office of County Clerk at year-end. The overdraft should be liquidated subsequent to year-end with funds collected from individuals responsible for the checks.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in the following funds' major appropriation categories (the legal level of control):

| <u>Fund/Major Category</u> | <u>Amount Overspent</u> |
|-----------------------------------|-----------------------------|
| General: | |
| Waste Pickup | \$ 576 |
| Other General Government Projects | 15,497 |
| Drug Control: | |
| Alcohol and Drug Programs | 136 |
| Education Debt Service: | |
| Other Debt Service - Education | 20 |

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."

These overexpenditures were funded from available fund balances.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer.

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

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

Investments

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

Investment Balances. As of June 30, 2007, Hartsville/Trousdale County Government had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hartsville/Trousdale County Government and the School Department since both pool their deposits and investments through the county trustee.

| Investment | Maturities | Cost |
|-----------------------------------|------------|------------|
| State Treasurer's Investment Pool | Daily | \$ 260,295 |

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hartsville/Trousdale County Government has no investment policy that would further limit its investment choices. As of June 30, 2007, Hartsville/Trousdale County Government's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets of \$14,912,737 and related accumulated depreciation of \$6,975,032 are presented in the financial statements of the government's Water and Sewer Fund. As noted in the Schedule of Findings and Questioned Costs section of this report, the Hartsville/Trousdale County Government does not maintain adequate records for capital assets. Therefore, auditors could not verify these amounts.

C. Interfund Receivables and Payables

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

Due to/from Other Funds:

| Receivable Fund | Payable Fund | Amount |
|----------------------|-----------------|----------|
| Urban Services | Water and Sewer | \$ 9,675 |
| Highway/Public Works | Urban Services | 2,924 |

The receivable in the Highway/Public Works Fund was in transit from the Urban Services Fund at June 30, 2007.

Interfund Transfers:

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

| Transfers Out | Transfers In | |
|-----------------------------|--------------|-----------------------------|
| | General Fund | Education Debt Service Fund |
| Nonmajor governmental funds | \$ 20,498 | \$ 2,501 |

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

D. Capital Leases

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

On October 12, 2006, the government entered into a two-year lease-purchase agreement for patrol cars at the Sheriff's Department. The terms of this agreement require total lease payments of \$123,950 plus interest of six percent. Title to the equipment transfers to the government at the end of the lease. The lease payments will be split between the General Fund and the Urban Services Fund.

Future minimum lease payments as of June 30, 2007, were as follows:

| Year Ending June 30 | Governmental Funds |
|--|-----------------------|
| 2008 | \$ 44,146 |
| 2009 | 43,786 |
| Total Minimum Lease Payments | \$ 87,932 |
| Amount Representing Interest | (7,408) |
| Present Value of Minimum Lease Payments | \$ 80,524 |

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to ten years for notes, and up to 21 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. As of June 30, 2007, all general obligation bonds outstanding will be retired from the Urban Services Fund, capital outlay notes outstanding will be retired from the General Debt Service Fund and the Highway/Public Works Fund, and other loans outstanding will be retired from the General Debt Service Fund and the Education Debt Service Fund.

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

| Type | Interest Rate | Original Amount of Issue | Balance 6-30-07 |
|--------------------------|---------------|--------------------------|-----------------|
| General Obligation Bonds | 6.125 % | \$ 217,000 | \$ 17,546 |
| Capital Outlay Notes | 3.95 to 4.68 | 1,257,000 | 1,105,994 |
| Other Loans | Variable | 11,455,359 | 8,811,871 |
| Capital Leases | 0 to 6 | 129,150 | 80,524 |

In prior years, Hartsville/Trousdale County Government entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned Hartsville/Trousdale County Government \$3,000,000 for the construction of a new middle school. This loan is repayable at a variable interest rate based on the daily London Interbank Offer Rate (LIBOR). In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2007, the variable interest rate was 3.99 percent, and other fees amounted to approximately .35 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal. Fees on this loan also include a trustee fee of \$85 per month.

Also, in prior years, Hartsville/Trousdale County Government entered into a second loan agreement with the Montgomery County Public Building Authority. This agreement provided for the authority to issue variable rate bonds of \$8,500,000 and loan the proceeds to Hartville/Trousdale County Government on an as-needed basis for the construction of a new high school.

This loan is repayable at a variable interest rate based on the daily LIBOR. In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2007, the variable interest rate was 3.87 percent, and other fees amounted to approximately .45 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal. Fees on this loan also include a trustee fee of \$85 per month. As of June 30, 2007, Hartsville/Trousdale County Government had borrowed \$8,455,359 of this loan.

The annual requirements to amortize the 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 | \$ 17,546 | \$ 800 | \$ 154,133 | \$ 47,362 |
| 2009 | 0 | 0 | 160,630 | 40,496 |
| 2010 | 0 | 0 | 167,228 | 33,389 |
| 2011 | 0 | 0 | 174,983 | 25,991 |
| 2012 | 0 | 0 | 182,896 | 18,253 |
| 2013-2015 | 0 | 0 | 266,124 | 21,202 |
| Total | \$ 17,546 | \$ 800 | \$ 1,105,994 | \$ 186,693 |

| Year Ending June 30 | Other Loan (\$3,000,000) | | | Total |
|------------------------|--------------------------|------------|------------|--------------|
| | Principal | Interest | Other Fees | |
| 2008 | \$ 155,198 | \$ 66,816 | \$ 8,221 | \$ 230,235 |
| 2009 | 162,431 | 60,599 | 7,551 | 230,581 |
| 2010 | 170,000 | 54,093 | 6,850 | 230,943 |
| 2011 | 177,922 | 47,284 | 6,116 | 231,322 |
| 2012 | 186,213 | 40,157 | 5,348 | 231,718 |
| 2013-2016 | 835,748 | 82,483 | 12,970 | 931,201 |
| Total | \$ 1,687,512 | \$ 351,432 | \$ 47,056 | \$ 2,086,000 |

| Year Ending June 30 | Other Loan (\$8,500,000) | | | Total |
|------------------------|--------------------------|--------------|------------|--------------|
| | Principal | Interest | Other Fees | |
| 2008 | \$ 365,000 | \$ 274,536 | \$ 38,618 | \$ 678,154 |
| 2009 | 378,000 | 260,368 | 36,677 | 675,045 |
| 2010 | 392,000 | 245,694 | 34,668 | 672,362 |
| 2011 | 407,000 | 230,476 | 32,583 | 670,059 |
| 2012 | 422,000 | 214,676 | 30,420 | 667,096 |
| 2013-2017 | 2,363,000 | 814,785 | 134,379 | 3,312,164 |
| 2018-2022 | 2,797,359 | 320,424 | 120,044 | 3,237,827 |
| Total | \$ 7,124,359 | \$ 2,360,959 | \$ 427,389 | \$ 9,912,707 |

There is \$293,939 available in the General Debt Service Fund and \$688,850 available in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$2, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,380, 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:

| | Bonds | Notes | Other Loans |
|-----------------------------|-----------|--------------|----------------|
| Balance, July 1, 2006 | \$ 34,655 | \$ 713,000 | \$ 9,311,159 |
| Additions | 0 | 470,000 | 0 |
| Deductions | (17,109) | (77,006) | (499,288) |
| Balance, June 30, 2007 | \$ 17,546 | \$ 1,105,994 | \$ 8,811,871 |
| Balance Due Within One Year | \$ 17,546 | \$ 154,133 | \$ 520,198 |

| | Capital Leases | Landfill Postclosure Care Cost |
|-----------------------------|-------------------|--------------------------------------|
| Balance, July 1, 2006 | \$ 1,400 | \$ 262,058 |
| Additions | 123,950 | 0 |
| Deductions | (44,826) | (2,349) |
| Balance, June 30, 2007 | \$ 80,524 | \$ 259,709 |
| Balance Due Within One Year | \$ 39,256 | \$ 13,792 |

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

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

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

| Year Ending June 30 | Bonds | |
|------------------------|-------------------|-------------------|
| | Principal | Interest |
| 2008 | \$ 226,194 | \$ 36,410 |
| 2009 | 237,361 | 26,999 |
| 2010 | 178,775 | 18,482 |
| 2011 | 4,728 | 13,884 |
| 2012 | 4,933 | 13,679 |
| 2013-2017 | 28,060 | 65,000 |
| 2018-2022 | 34,692 | 58,368 |
| 2023-2027 | 42,891 | 50,169 |
| 2028-2032 | 53,025 | 40,035 |
| 2033-2037 | 65,555 | 27,505 |
| 2038-2042 | 81,046 | 12,014 |
| 2043 | 13,908 | 250 |
| Total | <u>\$ 971,168</u> | <u>\$ 362,795</u> |

Bonded debt per capita totaled \$134, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the Hartsville/Trousdale County Government Water and Sewer Fund (enterprise fund) for the year ended June 30, 2007, was as follows:

Business-type Activities:

| | Bonds | Compensated Absences |
|-----------------------------|-------------------|-------------------------|
| Balance, July 1, 2006 | \$ 1,191,187 | \$ 20,269 |
| Additions | 0 | 25,451 |
| Deductions | (220,019) | (21,817) |
| Balance, June 30, 2007 | <u>\$ 971,168</u> | <u>\$ 23,903</u> |
| Balance Due Within One Year | <u>\$ 226,194</u> | <u>\$ 17,357</u> |

The Water and Sewer Fund calculated and included compensated absences on the statement of net assets for the first time at June 30, 2007.

IV. **OTHER INFORMATION**

A. **Risk Management**

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

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

B. **Subsequent Events**

On September 24, 2007, the Hartsville/Trousdale County Government issued capital outlay notes of \$300,000 for ambulance service equipment.

On October 1, 2007, the Hartsville/Trousdale County Government began operating an ambulance service.

C. **Contingent Liabilities**

The county attorney advised us there are no pending lawsuits in which the government is involved as of the date of this report.

D. Change in Administration

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

E. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the government to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Hartsville/Trousdale County landfill was closed in January 1997. The Solid Waste/Sanitation Fund (special revenue fund) reports the postclosure care costs as expenditures in each period in which they are incurred. The \$259,709 reported as landfill postclosure care liability at June 30, 2007, represents the net amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

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

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

G. Retirement Commitments

Plan Description

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

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

Funding Policy

Hartsville/Trousdale County Government

Hartsville/Trousdale County Government requires employees to contribute five percent of earnable compensation. Hartsville/Trousdale County Government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 8.04 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hartsville/Trousdale County government is established and may be amended by the TCRS Board of Trustees.

Former City of Hartsville Employees

Hartsville/Trousdale County Government has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Hartsville/Trousdale County Government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 17.57 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hartsville/Trousdale County Government is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

Hartsville/Trousdale County Government

For the year ended June 30, 2007, Hartsville/Trousdale County Government's annual pension cost of \$233,386 to TCRS was equal to Hartsville/Trousdale County Government's required and actual contributions. The required contribution was determined as part of the July 1, 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. Hartsville/Trousdale County Government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 16 years.

Trend Information

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------------------|--|--|---------------------------------------|
| 6-30-07 | \$233,386 | 100% | \$0 |
| 6-30-06 | 173,741 | 100 | 0 |
| 6-30-05 | 178,016 | 100 | 0 |

Former City of Hartsville Employees

For the year ended June 30, 2007, Hartsville/Trousdale County Government's annual pension cost of \$141,205 to TCRS was equal to Hartsville/Trousdale County Government's required and actual contributions. The required contribution was determined as part of the July 1, 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. Hartsville/Trousdale County Government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years.

Trend Information

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------------------|--|--|---------------------------------------|
| 6-30-07 | \$141,205 | 100% | \$0 |
| 6-30-06 | 98,379 | 100 | 0 |
| 6-30-05 | 88,845 | 100 | 0 |

H. Other Post-employment Benefits

In addition to the retirement commitments described above, Hartsville/Trousdale County Government, Tennessee, provides post-retirement health care benefits, in accordance with provisions of the metropolitan charter, to employees who were employed by the Town of Hartsville before the governments were consolidated. Currently, three government retirees meet the eligibility requirements and are receiving benefits under this program as of June 30, 2007. The consolidated government makes a monthly payment of \$37.50 as part of the Medicare Supplement Program for retirees for each of these three employees. Expenditures for post-retirement health care benefits are included in the government's annual budget. During the year, expenditures totaling \$1,328 were recognized for post-employment health care.

I. Purchasing Laws

Office of Hartsville/Trousdale County Executive

Purchasing procedures for the Hartsville/Trousdale County Executive's Office are governed by the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Superintendent

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|--------------|------------------|--------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 2,456,853 | \$ 2,239,120 | \$ 2,239,120 | \$ 217,733 |
| Licenses and Permits | 61,503 | 45,000 | 45,000 | 16,503 |
| Fines, Forfeitures, and Penalties | 65,667 | 72,050 | 72,050 | (6,383) |
| Charges for Current Services | 26,043 | 20,700 | 20,700 | 5,343 |
| Other Local Revenues | 314,292 | 412,500 | 416,535 | (102,243) |
| Fees Received from County Officials | 406,593 | 373,000 | 373,000 | 33,593 |
| State of Tennessee | 338,794 | 286,337 | 393,882 | (55,088) |
| Federal Government | 725,105 | 638,600 | 638,600 | 86,505 |
| Other Governments and Citizens Groups | 8,264 | 6,000 | 6,000 | 2,264 |
| Total Revenues | \$ 4,403,114 | \$ 4,093,307 | \$ 4,204,887 | \$ 198,227 |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| County Commission | \$ 11,078 | \$ 24,755 | \$ 16,950 | \$ 5,872 |
| Beer Board | 150 | 200 | 200 | 50 |
| County Mayor/Executive | 163,464 | 184,783 | 184,783 | 21,319 |
| County Attorney | 11,635 | 28,400 | 28,400 | 16,765 |
| Election Commission | 174,493 | 74,317 | 176,862 | 2,369 |
| Register of Deeds | 74,280 | 75,646 | 75,646 | 1,366 |
| Planning | 59,767 | 61,348 | 61,348 | 1,581 |
| County Buildings | 334,569 | 132,968 | 352,553 | 17,984 |
| <u>Finance</u> | | | | |
| Property Assessor's Office | 97,793 | 98,159 | 98,159 | 366 |
| County Trustee's Office | 103,715 | 97,216 | 107,016 | 3,301 |
| County Clerk's Office | 93,103 | 96,636 | 96,636 | 3,533 |
| <u>Administration of Justice</u> | | | | |
| Circuit Court | 129,393 | 133,932 | 133,932 | 4,539 |
| General Sessions Court | 73,212 | 62,349 | 74,434 | 1,222 |
| Chancery Court | 65,272 | 68,334 | 68,334 | 3,062 |
| Judicial Commissioners | 15,335 | 15,875 | 15,875 | 540 |
| <u>Public Safety</u> | | | | |
| Sheriff's Department | 786,312 | 777,858 | 862,049 | 75,737 |
| Drug Enforcement | 47,650 | 50,987 | 53,405 | 5,755 |
| Administration of the Sexual Offender Registry | 0 | 1,000 | 1,000 | 1,000 |
| Jail | 637,128 | 711,771 | 745,272 | 108,144 |
| Workhouse | 44,948 | 48,415 | 53,676 | 8,728 |
| Juvenile Services | 26,037 | 26,752 | 26,752 | 715 |
| Fire Prevention and Control | 25,544 | 43,030 | 43,030 | 17,486 |
| Civil Defense | 72,005 | 72,000 | 72,005 | 0 |
| Other Emergency Management | 5,346 | 30,000 | 30,000 | 24,654 |
| Inspection and Regulation | 5,948 | 6,271 | 6,271 | 323 |
| County Coroner/Medical Examiner | 8,590 | 12,000 | 12,000 | 3,410 |

(Continued)

Exhibit E-1

Hartsville/ Trousdale County Government, 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</u> | | | | |
| Local Health Center | \$ 32,398 | \$ 34,084 | \$ 34,084 | \$ 1,686 |
| Ambulance/Emergency Medical Services | 262,042 | 178,000 | 262,043 | 1 |
| Alcohol and Drug Programs | 6,626 | 11,500 | 11,500 | 4,874 |
| Other Local Health Services | 0 | 10,900 | 10,900 | 10,900 |
| Sanitation Education/Information | 29,231 | 29,237 | 29,237 | 6 |
| Waste Pickup | 576 | 0 | 0 | (576) |
| Other Public Health and Welfare | 12,000 | 12,000 | 12,000 | 0 |
| <u>Social, Cultural, and Recreational Services</u> | | | | |
| Senior Citizens Assistance | 42,551 | 38,925 | 50,014 | 7,463 |
| Libraries | 62,659 | 65,756 | 65,756 | 3,097 |
| Parks and Fair Boards | 76,268 | 83,224 | 83,224 | 6,956 |
| <u>Agriculture and Natural Resources</u> | | | | |
| Agriculture Extension Service | 36,151 | 46,845 | 46,845 | 10,694 |
| Soil Conservation | 12,115 | 12,115 | 12,115 | 0 |
| <u>Other Operations</u> | | | | |
| Other Economic and Community Development | 462,917 | 500,000 | 500,000 | 37,083 |
| Other Charges | 218,959 | 534,877 | 534,877 | 315,918 |
| Employee Benefits | 2,580 | 10,000 | 10,000 | 7,420 |
| Miscellaneous | 55,120 | 11,333 | 56,083 | 963 |
| <u>Principal on Debt</u> | | | | |
| General Government | 22,933 | 0 | 22,933 | 0 |
| <u>Capital Projects</u> | | | | |
| Other General Government Projects | 189,077 | 150,000 | 173,580 | (15,497) |
| Total Expenditures | \$ 4,590,970 | \$ 4,663,798 | \$ 5,311,779 | \$ 720,809 |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | \$ (187,856) | \$ (570,491) | \$ (1,106,892) | \$ 919,036 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Notes Issued | \$ 170,000 | \$ 0 | \$ 170,000 | \$ 0 |
| Capital Leases Issued | 61,975 | 0 | 61,975 | 0 |
| Transfers In | 20,498 | 0 | 0 | 20,498 |
| Transfers Out | 0 | (40,000) | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 252,473 | \$ (40,000) | \$ 231,975 | \$ 20,498 |
| Net Change in Fund Balance | \$ 64,617 | \$ (610,491) | \$ (874,917) | \$ 939,534 |
| Fund Balance, July 1, 2006 | 1,783,448 | 1,784,132 | 1,784,132 | (684) |
| Fund Balance, June 30, 2007 | \$ 1,848,065 | \$ 1,173,641 | \$ 909,215 | \$ 938,850 |

Exhibit E-2

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 502,353 | \$ 492,399 | \$ 492,399 | \$ 9,954 |
| Licenses and Permits | 7,853 | 5,000 | 5,000 | 2,853 |
| Charges for Current Services | 116,152 | 90,000 | 90,000 | 26,152 |
| Other Local Revenues | 260 | 0 | 0 | 260 |
| State of Tennessee | 2,400 | 3,000 | 3,000 | (600) |
| Other Governments and Citizens Groups | 500 | 500 | 500 | 0 |
| Total Revenues | <u>\$ 629,518</u> | <u>\$ 590,899</u> | <u>\$ 590,899</u> | <u>\$ 38,619</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Sheriff's Department | \$ 314,121 | \$ 281,495 | \$ 334,660 | \$ 20,539 |
| Fire Prevention and Control | 2,595 | 2,600 | 2,600 | 5 |
| <u>Public Health and Welfare</u> | | | | |
| Rabies and Animal Control | 13,690 | 13,590 | 14,174 | 484 |
| Waste Pickup | 129,261 | 162,491 | 158,779 | 29,518 |
| <u>Social, Cultural, and Recreational Services</u> | | | | |
| Other Social, Cultural, and Recreational | 2,000 | 5,000 | 2,000 | 0 |
| <u>Other Operations</u> | | | | |
| Other Charges | 83,100 | 80,100 | 83,100 | 0 |
| Employee Benefits | 3,712 | 0 | 3,712 | 0 |
| <u>Highways</u> | | | | |
| Highway and Bridge Maintenance | 51,271 | 51,800 | 51,800 | 529 |
| <u>Principal on Debt</u> | | | | |
| General Government | 39,002 | 18,972 | 39,002 | 0 |
| <u>Interest on Debt</u> | | | | |
| General Government | 1,863 | 0 | 1,863 | 0 |
| Total Expenditures | <u>\$ 640,615</u> | <u>\$ 616,048</u> | <u>\$ 691,690</u> | <u>\$ 51,075</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (11,097)</u> | <u>\$ (25,149)</u> | <u>\$ (100,791)</u> | <u>\$ 89,694</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Capital Leases Issued | \$ 61,975 | \$ 0 | \$ 61,975 | \$ 0 |
| Total Other Financing Sources (Uses) | <u>\$ 61,975</u> | <u>\$ 0</u> | <u>\$ 61,975</u> | <u>\$ 0</u> |
| Net Change in Fund Balance | \$ 50,878 | \$ (25,149) | \$ (38,816) | \$ 89,694 |
| Fund Balance, July 1, 2006 | <u>517,400</u> | <u>484,712</u> | <u>484,712</u> | <u>32,688</u> |
| Fund Balance, June 30, 2007 | <u>\$ 568,278</u> | <u>\$ 459,563</u> | <u>\$ 445,896</u> | <u>\$ 122,382</u> |

Exhibit E-3

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------------------|--------------------------|--------------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Other Local Revenues | \$ 4,808 | \$ 2,857 | \$ 2,857 | \$ 1,951 |
| State of Tennessee | 1,626,223 | 1,573,964 | 1,723,116 | (96,893) |
| Total Revenues | <u>\$ 1,631,031</u> | <u>\$ 1,576,821</u> | <u>\$ 1,725,973</u> | <u>\$ (94,942)</u> |
| <u>Expenditures</u> | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 118,568 | \$ 117,530 | \$ 122,530 | \$ 3,962 |
| Highway and Bridge Maintenance | 936,621 | 878,514 | 1,039,739 | 103,118 |
| Operation and Maintenance of Equipment | 178,939 | 181,943 | 192,870 | 13,931 |
| Other Charges | 118,795 | 120,000 | 124,128 | 5,333 |
| Employee Benefits | 49,853 | 61,364 | 56,364 | 6,511 |
| Capital Outlay | 228,119 | 261,715 | 541,715 | 313,596 |
| Total Expenditures | <u>\$ 1,630,895</u> | <u>\$ 1,621,066</u> | <u>\$ 2,077,346</u> | <u>\$ 446,451</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 136</u> | <u>\$ (44,245)</u> | <u>\$ (351,373)</u> | <u>\$ 351,509</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Notes Issued | \$ 300,000 | \$ 0 | \$ 300,000 | \$ 0 |
| Insurance Recovery | 8,850 | 0 | 0 | 8,850 |
| Total Other Financing Sources (Uses) | <u>\$ 308,850</u> | <u>\$ 0</u> | <u>\$ 300,000</u> | <u>\$ 8,850</u> |
| Net Change in Fund Balance | \$ 308,986 | \$ (44,245) | \$ (51,373) | \$ 360,359 |
| Fund Balance, July 1, 2006 | <u>240,123</u> | <u>177,261</u> | <u>177,261</u> | <u>62,862</u> |
| Fund Balance, June 30, 2007 | <u><u>\$ 549,109</u></u> | <u><u>\$ 133,016</u></u> | <u><u>\$ 125,888</u></u> | <u><u>\$ 423,221</u></u> |

Exhibit E-4

Hartsville/Trousdale County Government, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| | (a) | (b) | (b)-(a) | (a/b) | (c) | ((b-a)/c) |

Hartsville/Trousdale County Government Employees

| | | | | | | |
|---------|----------|----------|-----|---------|----------|---------|
| 6-30-05 | \$ 5,982 | \$ 6,287 | 305 | 95.16 % | \$ 2,765 | 11.01 % |
| 6-30-03 | 5,323 | 5,646 | 323 | 94.28 | 2,561 | 12.61 |
| 6-30-01 | 4,802 | 5,170 | 368 | 82.88 | 2,054 | 17.92 |

Former City of Hartsville Employees

| | | | | | | |
|---------|-------|-------|---|-------|-----|------|
| 6-30-05 | 3,412 | 3,420 | 8 | 99.78 | 675 | 1.10 |
| 6-30-03 | 3,231 | 3,239 | 8 | 99.75 | 689 | 1.16 |
| 6-30-01 | 3,077 | 3,077 | 0 | 100 | 753 | 0 |

HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Waste Pickup (\$576) and Other General Government Projects (\$15,497) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Debt Service Fund

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

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

Capital Projects Funds

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for other loans used for construction of major educational capital facilities. This fund closed during the year.

Exhibit F-1

Hartsville/ Trousdale County Government, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

| | Special Revenue Funds | | | | Debt Service | Capital | Total |
|--|--------------------------------|------------------|---------------------------------|-------------------|------------------------------------|--|---------------------|
| | Solid Waste / Sanitation | Drug Control | District Attorney General | Total | Fund General Debt Service | Projects Fund General Capital Projects | |
| <u>ASSETS</u> | | | | | | | |
| Equity in Pooled Cash and Investments | \$ 224,009 | \$ 36,410 | \$ 9,131 | \$ 269,550 | \$ 293,233 | \$ 80,329 | \$ 643,112 |
| Accounts Receivable | 9,157 | 0 | 0 | 9,157 | 0 | 0 | 9,157 |
| Property Taxes Receivable | 266,198 | 0 | 0 | 266,198 | 159,719 | 0 | 425,917 |
| Allowance for Uncollectible Property Taxes | (11,429) | 0 | 0 | (11,429) | (6,857) | 0 | (18,286) |
| Total Assets | \$ 487,935 | \$ 36,410 | \$ 9,131 | \$ 533,476 | \$ 446,095 | \$ 80,329 | \$ 1,059,900 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | |
| <u>Liabilities</u> | | | | | | | |
| Accounts Payable | \$ 9,843 | \$ 0 | \$ 0 | \$ 9,843 | \$ 0 | \$ 0 | \$ 9,843 |
| Deferred Revenue - Current Property Taxes | 242,821 | 0 | 0 | 242,821 | 145,693 | 0 | 388,514 |
| Deferred Revenue - Delinquent Property Taxes | 10,771 | 0 | 0 | 10,771 | 6,463 | 0 | 17,234 |
| Other Deferred Revenues | 1,609 | 0 | 0 | 1,609 | 0 | 0 | 1,609 |
| Total Liabilities | \$ 265,044 | \$ 0 | \$ 0 | \$ 265,044 | \$ 152,156 | \$ 0 | \$ 417,200 |
| <u>Fund Balances</u> | | | | | | | |
| Reserved for Purchase of Electronic Fingerprint Imaging System | \$ 0 | \$ 7,482 | \$ 0 | \$ 7,482 | \$ 0 | \$ 0 | \$ 7,482 |
| Reserved for Capital Outlay | 21,582 | 0 | 0 | 21,582 | 0 | 0 | 21,582 |
| Unreserved | 201,309 | 28,928 | 9,131 | 239,368 | 293,939 | 80,329 | 613,636 |
| Total Fund Balances | \$ 222,891 | \$ 36,410 | \$ 9,131 | \$ 268,432 | \$ 293,939 | \$ 80,329 | \$ 642,700 |
| Total Liabilities and Fund Balances | \$ 487,935 | \$ 36,410 | \$ 9,131 | \$ 533,476 | \$ 446,095 | \$ 80,329 | \$ 1,059,900 |

Exhibit F-2

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

| | Special Revenue Funds | | | | Debt Service Fund | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|---|--------------------------|------------------|---------------------------|-------------------|----------------------|--------------------------|----------------------------|--------------------|-----------------------------------|
| | Solid Waste / Sanitation | Drug Control | District Attorney General | Total | General Debt Service | General Capital Projects | Education Capital Projects | Total | |
| Revenues | | | | | | | | | |
| Local Taxes | \$ 241,965 | \$ 0 | \$ 0 | \$ 241,965 | \$ 158,704 | \$ 0 | \$ 0 | \$ 0 | \$ 400,669 |
| Fines, Forfeitures, and Penalties | 0 | 9,792 | 20,083 | 29,875 | 107 | 0 | 0 | 0 | 29,982 |
| Charges for Current Services | 88,270 | 0 | 0 | 88,270 | 0 | 0 | 0 | 0 | 88,270 |
| Other Local Revenues | 14,661 | 0 | 168 | 14,829 | 0 | 55,704 | 5 | 55,709 | 70,538 |
| State of Tennessee | 5,641 | 0 | 0 | 5,641 | 0 | 0 | 0 | 0 | 5,641 |
| Other Governments and Citizens Groups | 0 | 0 | 0 | 0 | 170,000 | 0 | 0 | 0 | 170,000 |
| Total Revenues | \$ 350,537 | \$ 9,792 | \$ 20,251 | \$ 380,580 | \$ 328,811 | \$ 55,704 | \$ 5 | \$ 55,709 | \$ 765,100 |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| Administration of Justice | \$ 0 | \$ 0 | \$ 12,869 | \$ 12,869 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 12,869 |
| Public Safety | 0 | 25,118 | 0 | 25,118 | 0 | 0 | 0 | 0 | 25,118 |
| Public Health and Welfare | 324,235 | 1,488 | 0 | 325,723 | 0 | 0 | 0 | 0 | 325,723 |
| Other Operations | 8,931 | 0 | 0 | 8,931 | 0 | 0 | 0 | 0 | 8,931 |
| Debt Service: | | | | | | | | | |
| Principal on Debt | 0 | 0 | 0 | 0 | 217,288 | 0 | 0 | 0 | 217,288 |
| Interest on Debt | 0 | 0 | 0 | 0 | 112,961 | 0 | 0 | 0 | 112,961 |
| Other Debt Service | 0 | 0 | 0 | 0 | 3,030 | 0 | 0 | 0 | 3,030 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 | 36,123 | 0 | 36,123 | 36,123 |
| Total Expenditures | \$ 333,166 | \$ 26,606 | \$ 12,869 | \$ 372,641 | \$ 333,279 | \$ 36,123 | \$ 0 | \$ 36,123 | \$ 742,043 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 17,371 | \$ (16,814) | \$ 7,382 | \$ 7,939 | \$ (4,468) | \$ 19,581 | \$ 5 | \$ 19,586 | \$ 23,057 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers Out | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (20,498) | \$ (2,501) | \$ (22,999) | \$ (22,999) |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (20,498) | \$ (2,501) | \$ (22,999) | \$ (22,999) |
| Net Change in Fund Balances | \$ 17,371 | \$ (16,814) | \$ 7,382 | \$ 7,939 | \$ (4,468) | \$ (917) | \$ (2,496) | \$ (3,413) | \$ 58 |
| Fund Balance, July 1, 2006 | 205,520 | 53,224 | 1,749 | 260,493 | 298,407 | 81,246 | 2,496 | 83,742 | 642,642 |
| Fund Balance, June 30, 2007 | \$ 222,891 | \$ 36,410 | \$ 9,131 | \$ 268,432 | \$ 293,939 | \$ 80,329 | \$ 0 | \$ 80,329 | \$ 642,700 |

Exhibit F-3

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|-------------------|--------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 241,965 | \$ 234,750 | \$ 234,750 | \$ 7,215 |
| Charges for Current Services | 88,270 | 85,000 | 85,000 | 3,270 |
| Other Local Revenues | 14,661 | 11,000 | 11,000 | 3,661 |
| State of Tennessee | 5,641 | 4,000 | 4,000 | 1,641 |
| Total Revenues | <u>\$ 350,537</u> | <u>\$ 334,750</u> | <u>\$ 334,750</u> | <u>\$ 15,787</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Convenience Centers | \$ 189,502 | \$ 189,853 | \$ 189,853 | \$ 351 |
| Other Waste Disposal | 132,384 | 145,000 | 145,000 | 12,616 |
| Postclosure Care Costs | 2,349 | 14,500 | 14,500 | 12,151 |
| <u>Other Operations</u> | | | | |
| Other Charges | 8,931 | 9,500 | 9,500 | 569 |
| Total Expenditures | <u>\$ 333,166</u> | <u>\$ 358,853</u> | <u>\$ 358,853</u> | <u>\$ 25,687</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 17,371</u> | <u>\$ (24,103)</u> | <u>\$ (24,103)</u> | <u>\$ 41,474</u> |
| Net Change in Fund Balance | \$ 17,371 | \$ (24,103) | \$ (24,103) | \$ 41,474 |
| Fund Balance, July 1, 2006 | 205,520 | 184,064 | 184,064 | 21,456 |
| Fund Balance, June 30, 2007 | <u>\$ 222,891</u> | <u>\$ 159,961</u> | <u>\$ 159,961</u> | <u>\$ 62,930</u> |

Exhibit F-4

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------|------------------|-------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Fines, Forfeitures, and Penalties | \$ 9,792 | \$ 10,500 | \$ 10,500 | \$ (708) |
| Total Revenues | \$ 9,792 | \$ 10,500 | \$ 10,500 | \$ (708) |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Drug Enforcement | \$ 25,118 | \$ 14,750 | \$ 25,250 | \$ 132 |
| <u>Public Health and Welfare</u> | | | | |
| Alcohol and Drug Programs | 1,488 | 0 | 1,352 | (136) |
| Total Expenditures | \$ 26,606 | \$ 14,750 | \$ 26,602 | \$ (4) |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (16,814) | \$ (4,250) | \$ (16,102) | \$ (712) |
| Net Change in Fund Balance | \$ (16,814) | \$ (4,250) | \$ (16,102) | \$ (712) |
| Fund Balance, July 1, 2006 | 53,224 | 46,495 | 46,495 | 6,729 |
| Fund Balance, June 30, 2007 | \$ 36,410 | \$ 42,245 | \$ 30,393 | \$ 6,017 |

Exhibit F-5

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------------|--------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 158,704 | \$ 147,630 | \$ 147,630 | \$ 11,074 |
| Fines, Forfeitures, and Penalties | 107 | 0 | 0 | 107 |
| Other Governments and Citizens Groups | 170,000 | 170,000 | 170,000 | 0 |
| Total Revenues | <u>\$ 328,811</u> | <u>\$ 317,630</u> | <u>\$ 317,630</u> | <u>\$ 11,181</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| General Government | \$ 69,000 | \$ 107,000 | \$ 107,000 | \$ 38,000 |
| Education | 148,288 | 148,288 | 148,288 | 0 |
| <u>Interest on Debt</u> | | | | |
| General Government | 32,539 | 32,543 | 32,543 | 4 |
| Education | 80,422 | 85,549 | 85,549 | 5,127 |
| <u>Other Debt Service</u> | | | | |
| General Government | 3,030 | 6,000 | 6,000 | 2,970 |
| Education | 0 | 1,000 | 1,000 | 1,000 |
| Total Expenditures | <u>\$ 333,279</u> | <u>\$ 380,380</u> | <u>\$ 380,380</u> | <u>\$ 47,101</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (4,468)</u> | <u>\$ (62,750)</u> | <u>\$ (62,750)</u> | <u>\$ 58,282</u> |
| Net Change in Fund Balance | \$ (4,468) | \$ (62,750) | \$ (62,750) | \$ 58,282 |
| Fund Balance, July 1, 2006 | <u>298,407</u> | <u>289,355</u> | <u>289,355</u> | <u>9,052</u> |
| Fund Balance, June 30, 2007 | <u>\$ 293,939</u> | <u>\$ 226,605</u> | <u>\$ 226,605</u> | <u>\$ 67,334</u> |

Major Governmental Fund

Education Debt Service Fund

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

Exhibit G

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Education Debt Service Fund
For the Year Ended June 30, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------------|--------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 639,681 | \$ 609,028 | \$ 609,028 | \$ 30,653 |
| Other Local Revenues | 33,284 | 23,000 | 23,000 | 10,284 |
| Other Governments and Citizens Groups | 75,000 | 75,000 | 75,000 | 0 |
| Total Revenues | <u>\$ 747,965</u> | <u>\$ 707,028</u> | <u>\$ 707,028</u> | <u>\$ 40,937</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| Education | \$ 351,000 | \$ 351,000 | \$ 351,000 | \$ 0 |
| <u>Interest on Debt</u> | | | | |
| Education | 327,014 | 376,000 | 376,000 | 48,986 |
| <u>Other Debt Service</u> | | | | |
| Education | 9,020 | 9,000 | 9,000 | (20) |
| Total Expenditures | <u>\$ 687,034</u> | <u>\$ 736,000</u> | <u>\$ 736,000</u> | <u>\$ 48,966</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 60,931</u> | <u>\$ (28,972)</u> | <u>\$ (28,972)</u> | <u>\$ 89,903</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 2,501 | \$ 0 | \$ 0 | \$ 2,501 |
| Total Other Financing Sources (Uses) | <u>\$ 2,501</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 2,501</u> |
| Net Change in Fund Balance | \$ 63,432 | \$ (28,972) | \$ (28,972) | \$ 92,404 |
| Fund Balance, July 1, 2006 | 625,418 | 502,043 | 502,043 | 123,375 |
| Fund Balance, June 30, 2007 | <u>\$ 688,850</u> | <u>\$ 473,071</u> | <u>\$ 473,071</u> | <u>\$ 215,779</u> |

Fiduciary Funds

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

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

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

Exhibit H-1

Hartsville/Trousdale County Government, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

| | <u>Agency Funds</u> | | |
|---------------------------------------|---|------------------------------|---------------------|
| | Constitu- tional Officers - Agency | Judicial District Drug | Total |
| <u>ASSETS</u> | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 738,089 | \$ 738,089 |
| Cash | 560,407 | 0 | 560,407 |
| Accounts Receivable | 1,606 | 0 | 1,606 |
| Due from Other Governments | 0 | 13,000 | 13,000 |
| Total Assets | <u>\$ 562,013</u> | <u>\$ 751,089</u> | <u>\$ 1,313,102</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 0 | \$ 355 | \$ 355 |
| Cash Overdraft | 1,056 | 0 | 1,056 |
| Due to Litigants, Heirs, and Others | 560,957 | 0 | 560,957 |
| Due to Joint Venture | 0 | 750,734 | 750,734 |
| Total Liabilities | <u>\$ 562,013</u> | <u>\$ 751,089</u> | <u>\$ 1,313,102</u> |

Exhibit H-2

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

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|---------------------|---------------------|---------------------|
| <u>Constitutional Officers - Agency Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 392,492 | \$ 2,698,663 | \$ 2,530,748 | \$ 560,407 |
| Accounts Receivable | 1,570 | 1,606 | 1,570 | 1,606 |
| Total Assets | <u>\$ 394,062</u> | <u>\$ 2,700,269</u> | <u>\$ 2,532,318</u> | <u>\$ 562,013</u> |
| <u>Liabilities</u> | | | | |
| Cash Overdraft | \$ 1,072 | \$ 1,056 | \$ 1,072 | \$ 1,056 |
| Due to Litigants, Heirs, and Others | 392,990 | 2,699,213 | 2,531,246 | 560,957 |
| Total Liabilities | <u>\$ 394,062</u> | <u>\$ 2,700,269</u> | <u>\$ 2,532,318</u> | <u>\$ 562,013</u> |
| <u>Judicial District Drug Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 444,102 | \$ 556,822 | \$ 262,835 | \$ 738,089 |
| Due from Other Governments | 20,000 | 13,000 | 20,000 | 13,000 |
| Total Assets | <u>\$ 464,102</u> | <u>\$ 569,822</u> | <u>\$ 282,835</u> | <u>\$ 751,089</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 29,647 | \$ 355 | \$ 29,647 | \$ 355 |
| Due to Joint Ventures | 434,455 | 569,467 | 253,188 | 750,734 |
| Total Liabilities | <u>\$ 464,102</u> | <u>\$ 569,822</u> | <u>\$ 282,835</u> | <u>\$ 751,089</u> |
| <u>Totals - All Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 444,102 | \$ 556,822 | \$ 262,835 | \$ 738,089 |
| Cash | 392,492 | 2,698,663 | 2,530,748 | 560,407 |
| Accounts Receivable | 1,570 | 1,606 | 1,570 | 1,606 |
| Due from Other Governments | 20,000 | 13,000 | 20,000 | 13,000 |
| Total Assets | <u>\$ 858,164</u> | <u>\$ 3,270,091</u> | <u>\$ 2,815,153</u> | <u>\$ 1,313,102</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 29,647 | \$ 355 | \$ 29,647 | \$ 355 |
| Cash Overdraft | 1,072 | 1,056 | 1,072 | 1,056 |
| Due to Litigants, Heirs, and Others | 392,990 | 2,699,213 | 2,531,246 | 560,957 |
| Due to Joint Ventures | 434,455 | 569,467 | 253,188 | 750,734 |
| Total Liabilities | <u>\$ 858,164</u> | <u>\$ 3,270,091</u> | <u>\$ 2,815,153</u> | <u>\$ 1,313,102</u> |

MISCELLANEOUS SCHEDULES

Exhibit I-1

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

| | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-06 | Issued During Period | Matured During Period | Outstanding 6-30-07 |
|--|--------------------------------|------------------|---------------------|--------------------------|-----------------------|----------------------------|-----------------------------|------------------------|
| NOTES PAYABLE | | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | | |
| Leachate Collection Trench | \$ 72,000 | 4.65 % | 4-1-04 | 3-1-13 | \$ 58,000 | \$ 0 | \$ 7,000 | \$ 51,000 |
| Highway Equipment/ Solid Waste Truck | 525,000 | 4.68 | 3-1-05 | 3-1-15 | 483,000 | 0 | 44,000 | 439,000 |
| Fire Truck | 190,000 | 4.21 | 3-7-05 | 3-1-14 | 172,000 | 0 | 18,000 | 154,000 |
| Macon/Trousdale Co-op Building | 170,000 | 4.5 | 6-7-07 | 6-7-12 | 0 | 170,000 | 0 | 170,000 |
| Total Payable through General Debt Service Fund | | | | | <u>\$ 713,000</u> | <u>\$ 170,000</u> | <u>\$ 69,000</u> | <u>\$ 814,000</u> |
| <u>Payable through Highway/Public Works Fund</u> | | | | | | | | |
| Highway Equipment | 300,000 | 3.95 | 4-9-07 | 12-9-12 | \$ 0 | \$ 300,000 | \$ 8,006 | \$ 291,994 |
| Total Notes Payable | | | | | <u>\$ 713,000</u> | <u>\$ 470,000</u> | <u>\$ 77,006</u> | <u>\$ 1,105,994</u> |
| CAPITAL LEASES PAYABLE | | | | | | | | |
| <u>Payable through General Fund</u> | | | | | | | | |
| Sheriff's Commissary Computer Equipment | 5,200 | 0 | 11-5-02 | 10-31-07 | \$ 1,400 | \$ 0 | \$ 1,040 | \$ 360 |
| Sheriff's Department Police Cars (2) | 61,975 | 6 | 10-12-06 | 10-12-08 | 0 | 61,975 | 21,893 | 40,082 |
| Total Payable through General Fund | | | | | <u>\$ 1,400</u> | <u>\$ 61,975</u> | <u>\$ 22,933</u> | <u>\$ 40,442</u> |
| <u>Payable through Urban Services Fund</u> | | | | | | | | |
| Sheriff's Department Police Cars (2) | 61,975 | 6 | 10-12-06 | 10-12-08 | \$ 0 | \$ 61,975 | \$ 21,893 | \$ 40,082 |
| Total Capital Leases Payable | | | | | <u>\$ 1,400</u> | <u>\$ 123,950</u> | <u>\$ 44,826</u> | <u>\$ 80,524</u> |
| OTHER LOANS PAYABLE | | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | | |
| School Construction | 3,000,000 | Variable | 10-11-1995 | 5-25-16 | \$ 1,835,800 | \$ 0 | \$ 148,288 | \$ 1,687,512 |
| <u>Payable through Education Debt Service Fund</u> | | | | | | | | |
| School Construction | (1) | Variable | 8-30-02 | 5-25-22 | 7,475,359 | 0 | 351,000 | 7,124,359 |
| Total Other Loans Payable | | | | | <u>\$ 9,311,159</u> | <u>\$ 0</u> | <u>\$ 499,288</u> | <u>\$ 8,811,871</u> |
| BONDS PAYABLE | | | | | | | | |
| <u>Payable through Urban Services Fund</u> | | | | | | | | |
| Public Works Bonds | 217,000 | 6.125 | 4-15-1988 | 4-15-08 | \$ 34,655 | \$ 0 | \$ 17,109 | \$ 17,546 |

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$8,500,000, of which \$8,455,359 had been received at June 30, 2007.

(2) The capital lease is for \$123,950 and is to be paid one-half from the General Fund and one-half from the Urban Services Fund.

Exhibit I-2

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

| <u>Year</u> <u>Ending</u> <u>June 30</u> | <u>Bond</u> <u>Requirements</u> | <u>Interest</u> <u>Requirements</u> | <u>Total</u> <u>Requirements</u> |
|--|------------------------------------|--|-------------------------------------|
| 2008 | \$ 17,546 | \$ 800 | \$ 18,346 |
| Total | <u>\$ 17,546</u> | <u>\$ 800</u> | <u>\$ 18,346</u> |

Exhibit I-3

Hartsville/Trousdale County Government, 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 Capital Projects | General | Community projects (CDBG Income) | \$ 20,498 |
| Education Capital Projects | Education Debt Service | Retire debt | <u>2,501</u> |
| Total Transfers | | | <u><u>\$ 22,999</u></u> |

Exhibit I-4

Hartsville/Trousdale County Government, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|---|--|---------------------------|-----------|---|
| County Executive | Section 8-24-102, <u>TCA</u> | \$ 53,787 | \$ 25,000 | State Automobile Mutual Insurance Company |
| Highway Superintendent | Section 8-24-102, <u>TCA</u> | 51,226 | 100,000 | " |
| Trustee | Section 8-24-102, <u>TCA</u> | 46,569 | 413,000 | " |
| Assessor of Property | Section 8-24-102, <u>TCA</u> | 46,569 | 10,000 | " |
| County Clerk: | | | | |
| Harold Gregory (7-1-06 through 8-31-06) | Section 8-24-102, <u>TCA</u> | 9,135 | 35,000 | " |
| Rita Crowder (9-1-06 through 6-30-07) | Section 8-24-102, <u>TCA</u> | 37,434 | 35,000 | " |
| Circuit Court Clerk | Section 8-24-102, <u>TCA</u> | 46,569 | 35,000 | " |
| Clerk and Master | Section 8-24-102, <u>TCA</u> , and Chancery Court Judge | 50,148 (1) | 35,000 | " |
| Register | Section 8-24-102, <u>TCA</u> | 46,569 | 25,000 | " |
| Sheriff | Section 8-24-102, <u>TCA</u> | 51,826 (2) | 25,000 | " |
| Employee Blanket Bond Coverage: | | | | |
| General County, Water Department, and Highway Employees | | | 150,000 | Local Government Property and Casualty |

(1) Includes special commissioner fees of \$3,579.

(2) Includes law enforcement training supplement of \$600.

Exhibit I-5

Hartsville/ Trousdale County Government, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2007

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------|--------------------------|--------------|---------------------------|------------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | District Attorney General | Highway / Public Works |
| <u>Local Taxes</u> | | | | | | |
| <u>County Property Taxes</u> | | | | | | |
| Current Property Tax | \$ 1,437,551 | \$ 396,975 | \$ 224,618 | \$ 0 | \$ 0 | \$ 0 |
| Discount on Property Taxes | (8,610) | (2,179) | (1,345) | 0 | 0 | 0 |
| Trustee's Collections - Prior Year | 68,660 | 19,372 | 10,728 | 0 | 0 | 0 |
| Circuit/Clerk & Master Collections - Prior Years | 21,435 | 5,271 | 3,349 | 0 | 0 | 0 |
| Interest and Penalty | 15,787 | 4,752 | 2,467 | 0 | 0 | 0 |
| Payments in-Lieu-of Taxes - T.V.A. | 19,875 | 0 | 0 | 0 | 0 | 0 |
| Payments in-Lieu-of Taxes - Other | 4,393 | 2,181 | 0 | 0 | 0 | 0 |
| <u>County Local Option Taxes</u> | | | | | | |
| Local Option Sales Tax | 398,751 | 0 | 0 | 0 | 0 | 0 |
| Wheel Tax | 0 | 0 | 0 | 0 | 0 | 0 |
| Litigation Tax - General | 30,849 | 0 | 0 | 0 | 0 | 0 |
| Litigation Tax - Special Purpose | 35,623 | 0 | 0 | 0 | 0 | 0 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 0 | 0 | 0 | 0 | 0 | 0 |
| Business Tax | 16,235 | 0 | 2,148 | 0 | 0 | 0 |
| Adequate Facilities/Development Tax | 0 | 0 | 0 | 0 | 0 | 0 |
| Other County Local Option Taxes | 0 | 38,535 | 0 | 0 | 0 | 0 |
| <u>Statutory Local Taxes</u> | | | | | | |
| Bank Excise Tax | 143,058 | 0 | 0 | 0 | 0 | 0 |
| Wholesale Beer Tax | 140,317 | 0 | 0 | 0 | 0 | 0 |
| Interstate Telecommunications Tax | 959 | 0 | 0 | 0 | 0 | 0 |
| Other Statutory Local Taxes | 0 | 37,446 | 0 | 0 | 0 | 0 |
| <u>City Local Option Taxes</u> | | | | | | |
| Local Option Sales Tax | 131,970 | 0 | 0 | 0 | 0 | 0 |
| Total Local Taxes | \$ 2,456,853 | \$ 502,353 | \$ 241,965 | \$ 0 | \$ 0 | \$ 0 |
| <u>Licenses and Permits</u> | | | | | | |
| <u>Licenses</u> | | | | | | |
| Cable TV Franchise | \$ 0 | \$ 7,853 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Permits</u> | | | | | | |
| Building Permits | 61,503 | 0 | 0 | 0 | 0 | 0 |
| Total Licenses and Permits | \$ 61,503 | \$ 7,853 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

(Continued)

Exhibit I-5

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

| | Special Revenue Funds | | | | | |
|---|-----------------------|----------------|--------------------------|--------------|---------------------------|------------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | District Attorney General | Highway / Public Works |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | | |
| <u>Circuit Court</u> | | | | | | |
| Fines | \$ 4,939 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Officers Costs | 1,510 | 0 | 0 | 0 | 0 | 0 |
| Drug Control Fines | 0 | 0 | 0 | 1,807 | 0 | 0 |
| Data Entry Fee - Circuit Court | 342 | 0 | 0 | 0 | 0 | 0 |
| <u>General Sessions Court</u> | | | | | | |
| Fines | 19,384 | 0 | 0 | 0 | 0 | 0 |
| Officers Costs | 23,791 | 0 | 0 | 0 | 0 | 0 |
| Game and Fish Fines | 1,655 | 0 | 0 | 0 | 0 | 0 |
| Drug Control Fines | 0 | 0 | 0 | 7,682 | 0 | 0 |
| Jail Fees | 1,569 | 0 | 0 | 0 | 0 | 0 |
| DUI Treatment Fines | 3,158 | 0 | 0 | 0 | 0 | 0 |
| Data Entry Fee - General Sessions Court | 5,645 | 0 | 0 | 0 | 0 | 0 |
| Courtroom Security Fee | 530 | 0 | 0 | 0 | 0 | 0 |
| <u>Juvenile Court</u> | | | | | | |
| Officers Costs | 689 | 0 | 0 | 0 | 0 | 0 |
| <u>Chancery Court</u> | | | | | | |
| Officers Costs | 1,417 | 0 | 0 | 0 | 0 | 0 |
| Data Entry Fee - Chancery Court | 298 | 0 | 0 | 0 | 0 | 0 |
| <u>Courts in Other District Counties</u> | | | | | | |
| District Attorney General Fees | 0 | 0 | 0 | 0 | 20,083 | 0 |
| <u>Judicial District Drug Program</u> | | | | | | |
| Drug Task Force Forfeitures and Seizures | 0 | 0 | 0 | 303 | 0 | 0 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | | | |
| Other Fines, Forfeitures, and Penalties | 740 | 0 | 0 | 0 | 0 | 0 |
| Total Fines, Forfeitures, and Penalties | \$ 65,667 | \$ 0 | \$ 0 | \$ 9,792 | \$ 20,083 | \$ 0 |
| <u>Charges for Current Services</u> | | | | | | |
| <u>General Service Charges</u> | | | | | | |
| Commercial and Industrial Waste Collection Charge | \$ 0 | \$ 0 | \$ 88,270 | \$ 0 | \$ 0 | \$ 0 |
| Residential Waste Collection Charge | 0 | 116,152 | 0 | 0 | 0 | 0 |
| Zoning Studies | 700 | 0 | 0 | 0 | 0 | 0 |
| Other General Service Charges | 16,266 | 0 | 0 | 0 | 0 | 0 |

(Continued)

Exhibit I-5

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

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------|--------------------------|--------------|---------------------------|------------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | District Attorney General | Highway / Public Works |
| <u>Charges for Current Services (Cont.)</u> | | | | | | |
| <u>Fees</u> | | | | | | |
| Copy Fees | \$ 2,716 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Telephone Commissions | 685 | 0 | 0 | 0 | 0 | 0 |
| Data Processing Fee - Register | 4,460 | 0 | 0 | 0 | 0 | 0 |
| Data Processing Fee - Sheriff | 116 | 0 | 0 | 0 | 0 | 0 |
| Sexual Offender Registration Fees - Sheriff | 1,100 | 0 | 0 | 0 | 0 | 0 |
| Total Charges for Current Services | \$ 26,043 | \$ 116,152 | \$ 88,270 | \$ 0 | \$ 0 | \$ 0 |
| <u>Other Local Revenues</u> | | | | | | |
| <u>Recurring Items</u> | | | | | | |
| Investment Income | \$ 250,835 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 4,175 |
| Lease/Rentals | 28,447 | 0 | 0 | 0 | 0 | 0 |
| Commissary Sales | 6,737 | 0 | 0 | 0 | 0 | 0 |
| Sale of Recycled Materials | 0 | 0 | 14,661 | 0 | 0 | 0 |
| Miscellaneous Refunds | 14,882 | 0 | 0 | 0 | 168 | 207 |
| <u>Nonrecurring Items</u> | | | | | | |
| Sale of Equipment | 9,550 | 0 | 0 | 0 | 0 | 0 |
| Sale of Property | 535 | 0 | 0 | 0 | 0 | 0 |
| Damages Recovered from Individuals | 1,917 | 260 | 0 | 0 | 0 | 426 |
| <u>Other Local Revenues</u> | | | | | | |
| Other Local Revenues | 1,389 | 0 | 0 | 0 | 0 | 0 |
| Total Other Local Revenues | \$ 314,292 | \$ 260 | \$ 14,661 | \$ 0 | \$ 168 | \$ 4,808 |
| <u>Fees Received from County Officials</u> | | | | | | |
| <u>Fees-In-Lieu of Salary</u> | | | | | | |
| County Clerk | \$ 102,958 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Circuit Court Clerk | 54,899 | 0 | 0 | 0 | 0 | 0 |
| General Sessions Court Clerk | 63,864 | 0 | 0 | 0 | 0 | 0 |
| Clerk and Master | 29,237 | 0 | 0 | 0 | 0 | 0 |
| Register | 48,177 | 0 | 0 | 0 | 0 | 0 |
| Sheriff | 3,420 | 0 | 0 | 0 | 0 | 0 |
| Trustee | 104,038 | 0 | 0 | 0 | 0 | 0 |
| Total Fees Received from County Officials | \$ 406,593 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

(Continued)

Exhibit I-5

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

| | Special Revenue Funds | | | | | |
|-----------------------------------|-----------------------|----------------|--------------------------|--------------|---------------------------|------------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | District Attorney General | Highway / Public Works |
| <u>State of Tennessee</u> | | | | | | |
| <u>General Government Grants</u> | | | | | | |
| Juvenile Services Program | \$ 9,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Aging Programs | 23,098 | 0 | 0 | 0 | 0 | 0 |
| State Reappraisal Grant | 2,766 | 0 | 0 | 0 | 0 | 0 |
| Solid Waste Grants | 0 | 0 | 5,641 | 0 | 0 | 0 |
| <u>Public Safety Grants</u> | | | | | | |
| Law Enforcement Training Programs | 6,600 | 2,400 | 0 | 0 | 0 | 0 |
| <u>Public Works Grants</u> | | | | | | |
| Bridge Program | 0 | 0 | 0 | 0 | 0 | 166,496 |
| State Aid Program | 0 | 0 | 0 | 0 | 0 | 211,634 |
| Litter Program | 28,127 | 0 | 0 | 0 | 0 | 0 |
| <u>Other State Revenues</u> | | | | | | |
| Income Tax | 21,185 | 0 | 0 | 0 | 0 | 0 |
| Beer Tax | 20,039 | 0 | 0 | 0 | 0 | 0 |
| Alcoholic Beverage Tax | 11,046 | 0 | 0 | 0 | 0 | 0 |
| Emergency Hospital - Prisoners | 1,509 | 0 | 0 | 0 | 0 | 0 |
| Contracted Prisoner Boarding | 192,990 | 0 | 0 | 0 | 0 | 0 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 0 | 0 | 1,236,973 |
| Petroleum Special Tax | 0 | 0 | 0 | 0 | 0 | 11,120 |
| Registrar's Salary Supplement | 16,380 | 0 | 0 | 0 | 0 | 0 |
| Other State Grants | 6,054 | 0 | 0 | 0 | 0 | 0 |
| Total State of Tennessee | \$ 338,794 | \$ 2,400 | \$ 5,641 | \$ 0 | \$ 0 | \$ 1,626,223 |
| <u>Federal Government</u> | | | | | | |
| <u>Federal Through State</u> | | | | | | |
| Homeland Security Grants | \$ 5,253 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Medicaid | 200 | 0 | 0 | 0 | 0 | 0 |
| Other Federal through State | 705,627 | 0 | 0 | 0 | 0 | 0 |
| <u>Direct Federal Revenue</u> | | | | | | |
| Police Service (Lake Area) | 14,025 | 0 | 0 | 0 | 0 | 0 |
| Total Federal Government | \$ 725,105 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

(Continued)

Exhibit I-5

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

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------|--------------------------|-----------------|---------------------------|------------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | District Attorney General | Highway / Public Works |
| <u>Other Governments and Citizens Groups</u> | | | | | | |
| <u>Other Governments</u> | | | | | | |
| Contributions | \$ 320 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Contracted Services | 2,000 | 500 | 0 | 0 | 0 | 0 |
| <u>Citizens Groups</u> | | | | | | |
| Donations | 5,944 | 0 | 0 | 0 | 0 | 0 |
| Total Other Governments and Citizens Groups | <u>\$ 8,264</u> | <u>\$ 500</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total | <u>\$ 4,403,114</u> | <u>\$ 629,518</u> | <u>\$ 350,537</u> | <u>\$ 9,792</u> | <u>\$ 20,251</u> | <u>\$ 1,631,031</u> |

(Continued)

Exhibit I-5

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

| | <u>Debt Service Funds</u> | | <u>Capital Projects Funds</u> | | Total |
|--|----------------------------|------------------------------|--------------------------------|----------------------------------|--------------|
| | General Debt Service | Education Debt Service | General Capital Projects | Education Capital Projects | |
| <u>Local Taxes</u> | | | | | |
| <u>County Property Taxes</u> | | | | | |
| Current Property Tax | \$ 134,769 | \$ 215,631 | \$ 0 | \$ 0 | \$ 2,409,544 |
| Discount on Property Taxes | (807) | (1,291) | 0 | 0 | (14,232) |
| Trustee's Collections - Prior Year | 6,437 | 10,299 | 0 | 0 | 115,496 |
| Circuit/Clerk & Master Collections - Prior Years | 2,009 | 3,212 | 0 | 0 | 35,276 |
| Interest and Penalty | 1,480 | 2,368 | 0 | 0 | 26,854 |
| Payments in-Lieu-of Taxes - T.V.A. | 0 | 0 | 0 | 0 | 19,875 |
| Payments in-Lieu-of Taxes - Other | 0 | 0 | 0 | 0 | 6,574 |
| <u>County Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 0 | 0 | 0 | 0 | 398,751 |
| Wheel Tax | 0 | 322,288 | 0 | 0 | 322,288 |
| Litigation Tax - General | 0 | 0 | 0 | 0 | 30,849 |
| Litigation Tax - Special Purpose | 0 | 0 | 0 | 0 | 35,623 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 13,420 | 0 | 0 | 0 | 13,420 |
| Business Tax | 1,396 | 2,174 | 0 | 0 | 21,953 |
| Adequate Facilities/Development Tax | 0 | 85,000 | 0 | 0 | 85,000 |
| Other County Local Option Taxes | 0 | 0 | 0 | 0 | 38,535 |
| <u>Statutory Local Taxes</u> | | | | | |
| Bank Excise Tax | 0 | 0 | 0 | 0 | 143,058 |
| Wholesale Beer Tax | 0 | 0 | 0 | 0 | 140,317 |
| Interstate Telecommunications Tax | 0 | 0 | 0 | 0 | 959 |
| Other Statutory Local Taxes | 0 | 0 | 0 | 0 | 37,446 |
| <u>City Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 0 | 0 | 0 | 0 | 131,970 |
| Total Local Taxes | \$ 158,704 | \$ 639,681 | \$ 0 | \$ 0 | \$ 3,999,556 |
| <u>Licenses and Permits</u> | | | | | |
| <u>Licenses</u> | | | | | |
| Cable TV Franchise | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 7,853 |
| <u>Permits</u> | | | | | |
| Building Permits | 0 | 0 | 0 | 0 | 61,503 |
| Total Licenses and Permits | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 69,356 |

(Continued)

Exhibit I-5

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

| | <u>Debt Service Funds</u> | | <u>Capital Projects Funds</u> | | <u>Total</u> |
|---|---|---|---|---|--------------|
| | <u>General</u> <u>Debt</u> <u>Service</u> | <u>Education</u> <u>Debt</u> <u>Service</u> | <u>General</u> <u>Capital</u> <u>Projects</u> | <u>Education</u> <u>Capital</u> <u>Projects</u> | |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | |
| <u>Circuit Court</u> | | | | | |
| Fines | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 4,939 |
| Officers Costs | 0 | 0 | 0 | 0 | 1,510 |
| Drug Control Fines | 0 | 0 | 0 | 0 | 1,807 |
| Data Entry Fee - Circuit Court | 0 | 0 | 0 | 0 | 342 |
| <u>General Sessions Court</u> | | | | | |
| Fines | 0 | 0 | 0 | 0 | 19,384 |
| Officers Costs | 0 | 0 | 0 | 0 | 23,791 |
| Game and Fish Fines | 0 | 0 | 0 | 0 | 1,655 |
| Drug Control Fines | 0 | 0 | 0 | 0 | 7,682 |
| Jail Fees | 107 | 0 | 0 | 0 | 1,676 |
| DUI Treatment Fines | 0 | 0 | 0 | 0 | 3,158 |
| Data Entry Fee - General Sessions Court | 0 | 0 | 0 | 0 | 5,645 |
| Courtroom Security Fee | 0 | 0 | 0 | 0 | 530 |
| <u>Juvenile Court</u> | | | | | |
| Officers Costs | 0 | 0 | 0 | 0 | 689 |
| <u>Chancery Court</u> | | | | | |
| Officers Costs | 0 | 0 | 0 | 0 | 1,417 |
| Data Entry Fee - Chancery Court | 0 | 0 | 0 | 0 | 298 |
| <u>Courts in Other District Counties</u> | | | | | |
| District Attorney General Fees | 0 | 0 | 0 | 0 | 20,083 |
| <u>Judicial District Drug Program</u> | | | | | |
| Drug Task Force Forfeitures and Seizures | 0 | 0 | 0 | 0 | 303 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | | |
| Other Fines, Forfeitures, and Penalties | 0 | 0 | 0 | 0 | 740 |
| Total Fines, Forfeitures, and Penalties | \$ 107 | \$ 0 | \$ 0 | \$ 0 | 95,649 |
| <u>Charges for Current Services</u> | | | | | |
| <u>General Service Charges</u> | | | | | |
| Commercial and Industrial Waste Collection Charge | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 88,270 |
| Residential Waste Collection Charge | 0 | 0 | 0 | 0 | 116,152 |
| Zoning Studies | 0 | 0 | 0 | 0 | 700 |
| Other General Service Charges | 0 | 0 | 0 | 0 | 16,266 |

(Continued)

Exhibit I-5

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

| | <u>Debt Service Funds</u> | | <u>Capital Projects Funds</u> | | Total |
|---|----------------------------|------------------------------|--------------------------------|----------------------------------|------------|
| | General Debt Service | Education Debt Service | General Capital Projects | Education Capital Projects | |
| <u>Charges for Current Services (Cont.)</u> | | | | | |
| <u>Fees</u> | | | | | |
| Copy Fees | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 2,716 |
| Telephone Commissions | 0 | 0 | 0 | 0 | 685 |
| Data Processing Fee - Register | 0 | 0 | 0 | 0 | 4,460 |
| Data Processing Fee - Sheriff | 0 | 0 | 0 | 0 | 116 |
| Sexual Offender Registration Fees - Sheriff | 0 | 0 | 0 | 0 | 1,100 |
| Total Charges for Current Services | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 230,465 |
| <u>Other Local Revenues</u> | | | | | |
| <u>Recurring Items</u> | | | | | |
| Investment Income | \$ 0 | \$ 33,284 | \$ 704 | \$ 5 | \$ 289,003 |
| Lease/Rentals | 0 | 0 | 0 | 0 | 28,447 |
| Commissary Sales | 0 | 0 | 0 | 0 | 6,737 |
| Sale of Recycled Materials | 0 | 0 | 0 | 0 | 14,661 |
| Miscellaneous Refunds | 0 | 0 | 0 | 0 | 15,257 |
| <u>Nonrecurring Items</u> | | | | | |
| Sale of Equipment | 0 | 0 | 0 | 0 | 9,550 |
| Sale of Property | 0 | 0 | 55,000 | 0 | 55,535 |
| Damages Recovered from Individuals | 0 | 0 | 0 | 0 | 2,603 |
| <u>Other Local Revenues</u> | | | | | |
| Other Local Revenues | 0 | 0 | 0 | 0 | 1,389 |
| Total Other Local Revenues | \$ 0 | \$ 33,284 | \$ 55,704 | \$ 5 | \$ 423,182 |
| <u>Fees Received from County Officials</u> | | | | | |
| <u>Fees-In-Lieu of Salary</u> | | | | | |
| County Clerk | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 102,958 |
| Circuit Court Clerk | 0 | 0 | 0 | 0 | 54,899 |
| General Sessions Court Clerk | 0 | 0 | 0 | 0 | 63,864 |
| Clerk and Master | 0 | 0 | 0 | 0 | 29,237 |
| Register | 0 | 0 | 0 | 0 | 48,177 |
| Sheriff | 0 | 0 | 0 | 0 | 3,420 |
| Trustee | 0 | 0 | 0 | 0 | 104,038 |
| Total Fees Received from County Officials | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 406,593 |

(Continued)

Exhibit I-5

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

| | <u>Debt Service Funds</u> | | <u>Capital Projects Funds</u> | | <u>Total</u> |
|-----------------------------------|---|---|---|---|--------------|
| | <u>General</u> <u>Debt</u> <u>Service</u> | <u>Education</u> <u>Debt</u> <u>Service</u> | <u>General</u> <u>Capital</u> <u>Projects</u> | <u>Education</u> <u>Capital</u> <u>Projects</u> | |
| <u>State of Tennessee</u> | | | | | |
| <u>General Government Grants</u> | | | | | |
| Juvenile Services Program | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 9,000 |
| Aging Programs | 0 | 0 | 0 | 0 | 23,098 |
| State Reappraisal Grant | 0 | 0 | 0 | 0 | 2,766 |
| Solid Waste Grants | 0 | 0 | 0 | 0 | 5,641 |
| <u>Public Safety Grants</u> | | | | | |
| Law Enforcement Training Programs | 0 | 0 | 0 | 0 | 9,000 |
| <u>Public Works Grants</u> | | | | | |
| Bridge Program | 0 | 0 | 0 | 0 | 166,496 |
| State Aid Program | 0 | 0 | 0 | 0 | 211,634 |
| Litter Program | 0 | 0 | 0 | 0 | 28,127 |
| <u>Other State Revenues</u> | | | | | |
| Income Tax | 0 | 0 | 0 | 0 | 21,185 |
| Beer Tax | 0 | 0 | 0 | 0 | 20,039 |
| Alcoholic Beverage Tax | 0 | 0 | 0 | 0 | 11,046 |
| Emergency Hospital - Prisoners | 0 | 0 | 0 | 0 | 1,509 |
| Contracted Prisoner Boarding | 0 | 0 | 0 | 0 | 192,990 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 0 | 1,236,973 |
| Petroleum Special Tax | 0 | 0 | 0 | 0 | 11,120 |
| Registrar's Salary Supplement | 0 | 0 | 0 | 0 | 16,380 |
| Other State Grants | 0 | 0 | 0 | 0 | 6,054 |
| Total State of Tennessee | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 1,973,058 |
| <u>Federal Government</u> | | | | | |
| <u>Federal Through State</u> | | | | | |
| Homeland Security Grants | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 5,253 |
| Medicaid | 0 | 0 | 0 | 0 | 200 |
| Other Federal through State | 0 | 0 | 0 | 0 | 705,627 |
| <u>Direct Federal Revenue</u> | | | | | |
| Police Service (Lake Area) | 0 | 0 | 0 | 0 | 14,025 |
| Total Federal Government | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 725,105 |

(Continued)

Exhibit I-5

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

| | <u>Debt Service Funds</u> | | <u>Capital Projects Funds</u> | | <u>Total</u> |
|--|---|---|---|---|---------------------|
| | <u>General</u> <u>Debt</u> <u>Service</u> | <u>Education</u> <u>Debt</u> <u>Service</u> | <u>General</u> <u>Capital</u> <u>Projects</u> | <u>Education</u> <u>Capital</u> <u>Projects</u> | |
| <hr/> | | | | | |
| <u>Other Governments and Citizens Groups</u> | | | | | |
| <u>Other Governments</u> | | | | | |
| Contributions | \$ 170,000 | \$ 75,000 | \$ 0 | \$ 0 | \$ 245,320 |
| Contracted Services | 0 | 0 | 0 | 0 | 2,500 |
| <u>Citizens Groups</u> | | | | | |
| Donations | 0 | 0 | 0 | 0 | 5,944 |
| Total Other Governments and Citizens Groups | <u>\$ 170,000</u> | <u>\$ 75,000</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 253,764</u> |
| Total | <u>\$ 328,811</u> | <u>\$ 747,965</u> | <u>\$ 55,704</u> | <u>\$ 5</u> | <u>\$ 8,176,728</u> |

Exhibit I-6

Hartsville/ Trousdale County Government, 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 | \$ | 6,765 | |
| Other Per Diem and Fees | | 1,260 | |
| Social Security | | 498 | |
| Employer Medicare | | 116 | |
| Audit Services | | 1,713 | |
| Legal Notices, Recording, and Court Costs | | 7 | |
| Other Contracted Services | | 719 | |
| Total County Commission | | | \$ 11,078 |

Beer Board

| | | | |
|----------------------------------|----|-----|-----|
| Board and Committee Members Fees | \$ | 150 | |
| Total Beer Board | | | 150 |

County Mayor/Executive

| | | | |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 53,787 | |
| Secretary(ies) | | 61,932 | |
| Social Security | | 7,035 | |
| State Retirement | | 9,970 | |
| Medical Insurance | | 14,820 | |
| Employer Medicare | | 1,653 | |
| Data Processing Services | | 5,474 | |
| Legal Notices, Recording, and Court Costs | | 678 | |
| Maintenance and Repair Services - Office Equipment | | 13 | |
| Printing, Stationery, and Forms | | 2,515 | |
| Travel | | 2,317 | |
| Office Supplies | | 2,027 | |
| Premiums on Corporate Surety Bonds | | 100 | |
| Other Charges | | 166 | |
| Office Equipment | | 977 | |
| Total County Mayor/Executive | | | 163,464 |

County Attorney

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 11,290 | |
| Legal Services | | 345 | |
| Total County Attorney | | | 11,635 |

Election Commission

| | | | |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 37,255 | |
| Deputy(ies) | | 2,607 | |
| Election Commission | | 5,785 | |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

| | | | |
|---|----|---------|------------|
| Election Workers | \$ | 7,545 | |
| Social Security | | 2,780 | |
| State Retirement | | 2,995 | |
| Medical Insurance | | 4,560 | |
| Employer Medicare | | 650 | |
| Data Processing Services | | 2,290 | |
| Dues and Memberships | | 150 | |
| Legal Notices, Recording, and Court Costs | | 1,602 | |
| Maintenance and Repair Services - Equipment | | 1,408 | |
| Printing, Stationery, and Forms | | 812 | |
| Travel | | 3,157 | |
| Office Supplies | | 490 | |
| Other Charges | | 240 | |
| Office Equipment | | 100,167 | |
| Total Election Commission | | | \$ 174,493 |

Register of Deeds

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 8,728 | |
| Social Security | | 3,378 | |
| State Retirement | | 3,744 | |
| Medical Insurance | | 4,560 | |
| Employer Medicare | | 790 | |
| Data Processing Services | | 3,967 | |
| Dues and Memberships | | 95 | |
| Printing, Stationery, and Forms | | 1,258 | |
| Office Supplies | | 1,091 | |
| Premiums on Corporate Surety Bonds | | 100 | |
| Total Register of Deeds | | | 74,280 |

Planning

| | | | |
|---|----|--------|--|
| County Official/Administrative Officer | \$ | 38,169 | |
| In-Service Training | | 200 | |
| Social Security | | 2,294 | |
| State Retirement | | 3,069 | |
| Medical Insurance | | 4,560 | |
| Employer Medicare | | 537 | |
| Dues and Memberships | | 7,000 | |
| Legal Notices, Recording, and Court Costs | | 149 | |
| Printing, Stationery, and Forms | | 253 | |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

| | | | |
|------------------------------|----|-------|-----------|
| Gasoline | \$ | 1,313 | |
| Office Supplies | | 208 | |
| Periodicals | | 132 | |
| Other Supplies and Materials | | 70 | |
| Other Charges | | 1,313 | |
| Office Equipment | | 500 | |
| Total Planning | | | \$ 59,767 |

County Buildings

| | | | |
|---|----|---------|---------|
| Attendants | \$ | 10,715 | |
| Custodial Personnel | | 3,595 | |
| Social Security | | 864 | |
| State Retirement | | 865 | |
| Medical Insurance | | 4,560 | |
| Employer Medicare | | 202 | |
| Maintenance and Repair Services - Buildings | | 77,070 | |
| Maintenance and Repair Services - Equipment | | 689 | |
| Pest Control | | 1,239 | |
| Custodial Supplies | | 7,652 | |
| Electricity | | 31,139 | |
| Natural Gas | | 20,967 | |
| Water and Sewer | | 3,410 | |
| Other Charges | | 1,602 | |
| Building Purchases | | 170,000 | |
| Total County Buildings | | | 334,569 |

Finance

Property Assessor's Office

| | | | |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 21,612 | |
| Board and Committee Members Fees | | 470 | |
| Social Security | | 4,130 | |
| State Retirement | | 5,482 | |
| Medical Insurance | | 9,120 | |
| Employer Medicare | | 966 | |
| Legal Notices, Recording, and Court Costs | | 24 | |
| Maintenance and Repair Services - Vehicles | | 791 | |
| Printing, Stationery, and Forms | | 776 | |
| Other Contracted Services | | 5,755 | |
| Gasoline | | 1,405 | |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

| | | | |
|------------------------------------|----|-----|-----------|
| Office Supplies | \$ | 286 | |
| Premiums on Corporate Surety Bonds | | 100 | |
| Other Charges | | 35 | |
| Office Equipment | | 272 | |
| Total Property Assessor's Office | | | \$ 97,793 |

County Trustee's Office

| | | | |
|---|----|--------|---------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 19,835 | |
| Social Security | | 3,542 | |
| State Retirement | | 5,339 | |
| Medical Insurance | | 9,120 | |
| Employer Medicare | | 828 | |
| Data Processing Services | | 4,093 | |
| Dues and Memberships | | 100 | |
| Legal Notices, Recording, and Court Costs | | 28 | |
| Printing, Stationery, and Forms | | 3,456 | |
| Office Supplies | | 251 | |
| Premiums on Corporate Surety Bonds | | 938 | |
| Office Equipment | | 9,616 | |
| Total County Trustee's Office | | | 103,715 |

County Clerk's Office

| | | | |
|---|----|--------|--------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 22,788 | |
| Social Security | | 4,287 | |
| State Retirement | | 5,550 | |
| Medical Insurance | | 5,752 | |
| Employer Medicare | | 1,003 | |
| Data Processing Services | | 1,218 | |
| Dues and Memberships | | 100 | |
| Legal Notices, Recording, and Court Costs | | 66 | |
| Printing, Stationery, and Forms | | 3,722 | |
| Office Supplies | | 982 | |
| Premiums on Corporate Surety Bonds | | 225 | |
| Other Charges | | 112 | |
| Office Equipment | | 729 | |
| Total County Clerk's Office | | | 93,103 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice

Circuit Court

| | | | |
|--|----|--------|------------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 46,532 | |
| Overtime Pay | | 425 | |
| Board and Committee Members Fees | | 300 | |
| Jury and Witness Fees | | 2,931 | |
| Social Security | | 5,633 | |
| State Retirement | | 7,520 | |
| Medical Insurance | | 12,864 | |
| Employer Medicare | | 1,319 | |
| Legal Services | | 75 | |
| Legal Notices, Recording, and Court Costs | | 61 | |
| Maintenance and Repair Services - Office Equipment | | 196 | |
| Printing, Stationery, and Forms | | 3,688 | |
| Office Supplies | | 762 | |
| Periodicals | | 254 | |
| Premiums on Corporate Surety Bonds | | 225 | |
| Office Equipment | | 39 | |
| Total Circuit Court | | | \$ 129,393 |

General Sessions Court

| | | | |
|---------------------------------|----|--------|--------|
| Judge(s) | \$ | 56,479 | |
| Other Salaries and Wages | | 3,925 | |
| Social Security | | 2,964 | |
| State Retirement | | 4,541 | |
| Medical Insurance | | 4,560 | |
| Employer Medicare | | 693 | |
| Printing, Stationery, and Forms | | 50 | |
| Total General Sessions Court | | | 73,212 |

Chancery Court

| | | |
|---|----|--------|
| County Official/Administrative Officer | \$ | 46,569 |
| Deputy(ies) | | 5,137 |
| Social Security | | 3,096 |
| State Retirement | | 3,744 |
| Medical Insurance | | 4,560 |
| Employer Medicare | | 724 |
| Legal Notices, Recording, and Court Costs | | 12 |
| Printing, Stationery, and Forms | | 255 |
| Office Supplies | | 275 |
| Periodicals | | 236 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

| | | | |
|------------------------------------|----|-----|-----------|
| Premiums on Corporate Surety Bonds | \$ | 225 | |
| Office Equipment | | 439 | |
| Total Chancery Court | | | \$ 65,272 |

Judicial Commissioners

| | | | |
|------------------------------|----|--------|--------|
| In-Service Training | \$ | 390 | |
| Social Security | | 857 | |
| Employer Medicare | | 200 | |
| Dues and Memberships | | 70 | |
| Other Contracted Services | | 13,818 | |
| Total Judicial Commissioners | | | 15,335 |

Public Safety

Sheriff's Department

| | | | |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 51,226 | |
| Deputy(ies) | | 288,607 | |
| Salary Supplements | | 9,000 | |
| Dispatchers/Radio Operators | | 99,163 | |
| Overtime Pay | | 37,395 | |
| In-Service Training | | 11,709 | |
| Social Security | | 28,316 | |
| State Retirement | | 38,802 | |
| Medical Insurance | | 45,380 | |
| Employer Medicare | | 6,622 | |
| Dues and Memberships | | 900 | |
| Legal Services | | 10,289 | |
| Legal Notices, Recording, and Court Costs | | 89 | |
| Maintenance and Repair Services - Buildings | | 10 | |
| Maintenance and Repair Services - Equipment | | 8,074 | |
| Maintenance and Repair Services - Office Equipment | | 1,353 | |
| Maintenance and Repair Services - Vehicles | | 17,496 | |
| Medical and Dental Services | | 1,909 | |
| Postal Charges | | 15 | |
| Printing, Stationery, and Forms | | 610 | |
| Rentals | | 2,982 | |
| Tow-in Services | | 430 | |
| Travel | | 1,051 | |
| Other Contracted Services | | 184 | |
| Electricity | | 651 | |
| Gasoline | | 22,313 | |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

| | | | |
|------------------------------------|----|--------|------------|
| Law Enforcement Supplies | \$ | 6,535 | |
| Office Supplies | | 1,397 | |
| Periodicals | | 254 | |
| Uniforms | | 12,105 | |
| Other Supplies and Materials | | 1,449 | |
| Premiums on Corporate Surety Bonds | | 125 | |
| Other Charges | | 238 | |
| Law Enforcement Equipment | | 12,383 | |
| Motor Vehicles | | 65,246 | |
| Office Equipment | | 987 | |
| Other Equipment | | 1,017 | |
| Total Sheriff's Department | | | \$ 786,312 |

Drug Enforcement

| | | | |
|------------------------|----|--------|--------|
| Deputy(ies) | \$ | 32,596 | |
| Social Security | | 2,089 | |
| State Retirement | | 5,938 | |
| Medical Insurance | | 3,744 | |
| Employer Medicare | | 488 | |
| Gasoline | | 2,795 | |
| Total Drug Enforcement | | | 47,650 |

Jail

| | | | |
|---|----|---------|--|
| Guards | \$ | 310,222 | |
| Cafeteria Personnel | | 21,067 | |
| Overtime Pay | | 18,331 | |
| In-Service Training | | 856 | |
| Social Security | | 20,977 | |
| State Retirement | | 28,046 | |
| Medical Insurance | | 47,198 | |
| Employer Medicare | | 4,906 | |
| Data Processing Services | | 3,310 | |
| Maintenance and Repair Services - Buildings | | 4,285 | |
| Maintenance and Repair Services - Equipment | | 2,072 | |
| Medical and Dental Services | | 81,488 | |
| Pest Control | | 480 | |
| Printing, Stationery, and Forms | | 713 | |
| Rentals | | 35 | |
| Custodial Supplies | | 9,933 | |
| Electricity | | 14,964 | |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

| | | | |
|------------------------------|----|--------|------------|
| Food Supplies | \$ | 44,317 | |
| Law Enforcement Supplies | | 512 | |
| Natural Gas | | 6,016 | |
| Office Supplies | | 1,669 | |
| Prisoners Clothing | | 570 | |
| Uniforms | | 1,786 | |
| Water and Sewer | | 9,579 | |
| Other Supplies and Materials | | 1,622 | |
| Other Charges | | 1,243 | |
| Other Equipment | | 931 | |
| Total Jail | | | \$ 637,128 |

Workhouse

| | | | |
|---|----|--------|--------|
| Guards | \$ | 24,128 | |
| Overtime Pay | | 227 | |
| Social Security | | 1,467 | |
| State Retirement | | 1,958 | |
| Medical Insurance | | 4,560 | |
| Employer Medicare | | 343 | |
| Maintenance and Repair Services - Equipment | | 955 | |
| Maintenance and Repair Services - Vehicles | | 451 | |
| Gasoline | | 4,392 | |
| Other Supplies and Materials | | 12 | |
| Motor Vehicles | | 3,300 | |
| Other Equipment | | 3,155 | |
| Total Workhouse | | | 44,948 |

Juvenile Services

| | | | |
|--------------------------|----|--------|--------|
| Other Salaries and Wages | \$ | 19,459 | |
| Social Security | | 1,207 | |
| Employer Medicare | | 282 | |
| Travel | | 1,067 | |
| Other Charges | | 4,022 | |
| Total Juvenile Services | | | 26,037 |

Fire Prevention and Control

| | | | |
|---|----|-------|--|
| In-Service Training | \$ | 2,340 | |
| Contributions | | 8,815 | |
| Dues and Memberships | | 100 | |
| Maintenance and Repair Services - Buildings | | 5 | |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

| | | | |
|---|----|-------|-----------|
| Maintenance and Repair Services - Equipment | \$ | 3,702 | |
| Maintenance and Repair Services - Vehicles | | 236 | |
| Medical and Dental Services | | 181 | |
| Electricity | | 210 | |
| Equipment and Machinery Parts | | 360 | |
| Gasoline | | 692 | |
| Other Supplies and Materials | | 1,473 | |
| Other Charges | | 2,022 | |
| Other Equipment | | 5,408 | |
| Total Fire Prevention and Control | | | \$ 25,544 |

Civil Defense

| | | | |
|---|----|--------|--------|
| In-Service Training | \$ | 160 | |
| Legal Notices, Recording, and Court Costs | | 5 | |
| Maintenance and Repair Services - Equipment | | 2,809 | |
| Maintenance and Repair Services - Vehicles | | 1,338 | |
| Gasoline | | 468 | |
| Natural Gas | | 892 | |
| Water and Sewer | | 275 | |
| Other Supplies and Materials | | 1,414 | |
| Motor Vehicles | | 42,000 | |
| Other Equipment | | 22,644 | |
| Total Civil Defense | | | 72,005 |

Other Emergency Management

| | | | |
|----------------------------------|----|-------|-------|
| Communication Equipment | \$ | 5,346 | |
| Total Other Emergency Management | | | 5,346 |

Inspection and Regulation

| | | | |
|---------------------------------|----|-------|-------|
| Supervisor/Director | \$ | 4,102 | |
| Social Security | | 288 | |
| State Retirement | | 721 | |
| Employer Medicare | | 60 | |
| Drugs and Medical Supplies | | 777 | |
| Total Inspection and Regulation | | | 5,948 |

County Coroner/Medical Examiner

| | | | |
|---------------------------------------|----|-------|-------|
| Other Contracted Services | \$ | 8,590 | |
| Total County Coroner/Medical Examiner | | | 8,590 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

| | | | |
|---|----|--------|-----------|
| Communication | \$ | 1,353 | |
| Contributions | | 13,500 | |
| Dues and Memberships | | 124 | |
| Maintenance and Repair Services - Buildings | | 6,596 | |
| Maintenance and Repair Services - Equipment | | 2,163 | |
| Pest Control | | 408 | |
| Custodial Supplies | | 280 | |
| Drugs and Medical Supplies | | 908 | |
| Electricity | | 3,455 | |
| Natural Gas | | 2,532 | |
| Office Supplies | | 306 | |
| Periodicals | | 292 | |
| Water and Sewer | | 275 | |
| Other Supplies and Materials | | 26 | |
| Other Charges | | 180 | |
| Total Local Health Center | | | \$ 32,398 |

Ambulance/Emergency Medical Services

| | | | |
|--|----|---------|---------|
| Contracts with Private Agencies | \$ | 262,042 | |
| Total Ambulance/Emergency Medical Services | | | 262,042 |

Alcohol and Drug Programs

| | | | |
|--------------------------------------|----|-------|-------|
| Instructional Supplies and Materials | \$ | 6,460 | |
| Other Supplies and Materials | | 166 | |
| Total Alcohol and Drug Programs | | | 6,626 |

Sanitation Education/Information

| | | | |
|--|----|--------|--------|
| Education Media Personnel | \$ | 4,665 | |
| Guards | | 11,954 | |
| Clerical Personnel | | 2,067 | |
| Social Security | | 967 | |
| State Retirement | | 1,096 | |
| Employer Medicare | | 226 | |
| Advertising | | 146 | |
| Maintenance and Repair Services - Vehicles | | 360 | |
| Custodial Supplies | | 200 | |
| Gasoline | | 3,260 | |
| Instructional Supplies and Materials | | 3,523 | |
| Other Supplies and Materials | | 767 | |
| Total Sanitation Education/Information | | | 29,231 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

| | | |
|--------------------|--------|--------|
| State Retirement | \$ 576 | |
| Total Waste Pickup | | \$ 576 |

Other Public Health and Welfare

| | | |
|---------------------------------------|-----------|--------|
| Contributions | \$ 12,000 | |
| Total Other Public Health and Welfare | | 12,000 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

| | | |
|--|-----------|--------|
| Supervisor/Director | \$ 16,136 | |
| Part-time Personnel | 8,532 | |
| Social Security | 1,505 | |
| State Retirement | 1,297 | |
| Employer Medicare | 352 | |
| Advertising | 36 | |
| Communication | 1,247 | |
| Maintenance and Repair Services - Office Equipment | 67 | |
| Maintenance and Repair Services - Vehicles | 217 | |
| Pest Control | 200 | |
| Custodial Supplies | 740 | |
| Food Supplies | 566 | |
| Gasoline | 640 | |
| Office Supplies | 828 | |
| Other Supplies and Materials | 1,300 | |
| Furniture and Fixtures | 5,453 | |
| Other Equipment | 3,435 | |
| Total Senior Citizens Assistance | | 42,551 |

Libraries

| | | |
|-------------------|----------|--------|
| Assistant(s) | \$ 9,363 | |
| Librarians | 22,318 | |
| Overtime Pay | 772 | |
| Social Security | 1,975 | |
| State Retirement | 1,856 | |
| Medical Insurance | 4,560 | |
| Employer Medicare | 462 | |
| Contributions | 21,055 | |
| Water and Sewer | 298 | |
| Total Libraries | | 62,659 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

| | | | |
|---|----|--------|-----------|
| Supervisor/Director | \$ | 7,386 | |
| Laborers | | 8,701 | |
| Temporary Personnel | | 15,151 | |
| Social Security | | 1,925 | |
| State Retirement | | 1,298 | |
| Medical Insurance | | 912 | |
| Employer Medicare | | 450 | |
| Legal Notices, Recording, and Court Costs | | 34 | |
| Maintenance and Repair Services - Buildings | | 283 | |
| Maintenance and Repair Services - Equipment | | 1,790 | |
| Maintenance and Repair Services - Vehicles | | 194 | |
| Medical and Dental Services | | 600 | |
| Permits | | 680 | |
| Custodial Supplies | | 41 | |
| Electricity | | 10,220 | |
| Fertilizer, Lime, and Seed | | 49 | |
| Food Supplies | | 1,884 | |
| Gasoline | | 410 | |
| Water and Sewer | | 3,120 | |
| Chemicals | | 1,739 | |
| Other Supplies and Materials | | 916 | |
| Other Charges | | 319 | |
| Site Development | | 13,243 | |
| Other Equipment | | 4,923 | |
| Total Parks and Fair Boards | | | \$ 76,268 |

Agriculture and Natural Resources

Agriculture Extension Service

| | | | |
|-------------------------------------|----|--------|--------|
| Salary Supplements | \$ | 12,168 | |
| Secretary(ies) | | 6,973 | |
| Social Security | | 1,464 | |
| State Retirement | | 2,755 | |
| Communication | | 3,441 | |
| Contributions | | 5,000 | |
| Dues and Memberships | | 320 | |
| Travel | | 1,800 | |
| Office Supplies | | 187 | |
| Other Supplies and Materials | | 181 | |
| Other Charges | | 75 | |
| Office Equipment | | 1,787 | |
| Total Agriculture Extension Service | | | 36,151 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

| | | |
|-------------------------|-----------|-----------|
| Contributions | \$ 12,115 | |
| Total Soil Conservation | | \$ 12,115 |

Other Operations

Other Economic and Community Development

| | | |
|--|------------|---------|
| Other Contracted Services | \$ 462,917 | |
| Total Other Economic and Community Development | | 462,917 |

Other Charges

| | | |
|--|--------------|---------|
| Mechanic(s) | \$ 23,196 | |
| Social Security | 1,492 | |
| State Retirement | 4,076 | |
| Medical Insurance | 4,560 | |
| Employer Medicare | 349 | |
| Communication | 28,799 | |
| Evaluation and Testing | 8,441 | |
| Maintenance and Repair Services - Vehicles | 655 | |
| Postal Charges | 9,967 | |
| Rentals | 12,414 | |
| Other Supplies and Materials | 293 | |
| Liability Insurance | 35,771 | |
| Trustee's Commission | 45,142 | |
| Workers' Compensation Insurance | 42,223 | |
| Other Charges | <u>1,581</u> | |
| Total Other Charges | | 218,959 |

Employee Benefits

| | | |
|---|--------------|-------|
| Handling Charges and Administrative Costs | \$ 631 | |
| Unemployment Compensation | <u>1,949</u> | |
| Total Employee Benefits | | 2,580 |

Miscellaneous

| | | |
|----------------------|--------------|--------|
| Contributions | \$ 51,750 | |
| Dues and Memberships | <u>3,370</u> | |
| Total Miscellaneous | | 55,120 |

Principal on Debt

General Government

| | | |
|-----------------------------|-----------|--------|
| Principal on Capital Leases | \$ 22,933 | |
| Total General Government | | 22,933 |

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Capital Projects

Other General Government Projects

| | | | |
|---|----|---------|------------|
| Architects | \$ | 9,524 | |
| Maintenance and Repair Services - Buildings | | 179,553 | |
| Total Other General Government Projects | | | \$ 189,077 |

Total General Fund \$ 4,590,970

Urban Services Fund

Public Safety

Sheriff's Department

| | | | |
|--|----|---------|------------|
| Deputy(ies) | \$ | 142,928 | |
| Dispatchers/Radio Operators | | 33,604 | |
| Overtime Pay | | 6,653 | |
| Social Security | | 11,178 | |
| State Retirement | | 26,789 | |
| Medical Insurance | | 17,016 | |
| Employer Medicare | | 2,638 | |
| Maintenance and Repair Services - Vehicles | | 1,850 | |
| Gasoline | | 8,762 | |
| Motor Vehicles | | 62,703 | |
| Total Sheriff's Department | | | \$ 314,121 |

Fire Prevention and Control

| | | | |
|-----------------------------------|----|-------|-------|
| Gasoline | \$ | 760 | |
| Other Charges | | 1,835 | |
| Total Fire Prevention and Control | | | 2,595 |

Public Health and Welfare

Rabies and Animal Control

| | | | |
|--|----|-------|--|
| Overtime Pay | \$ | 161 | |
| Other Salaries and Wages | | 3,169 | |
| Social Security | | 154 | |
| State Retirement | | 268 | |
| Medical Insurance | | 570 | |
| Employer Medicare | | 36 | |
| Maintenance and Repair Services - Vehicles | | 2,304 | |
| Veterinary Services | | 1,600 | |
| Animal Food and Supplies | | 591 | |
| Gasoline | | 2,389 | |
| Water and Sewer | | 475 | |
| Other Supplies and Materials | | 171 | |

(Continued)

Exhibit I-6

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

Urban Services Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

| | | |
|---------------------------------|----------|-----------|
| Other Charges | \$ 1,802 | |
| Total Rabies and Animal Control | | \$ 13,690 |

Waste Pickup

| | | |
|---|-----------|---------|
| Supervisor/Director | \$ 16,036 | |
| Truck Drivers | 22,022 | |
| Laborers | 31,687 | |
| Overtime Pay | 130 | |
| Social Security | 4,838 | |
| State Retirement | 7,078 | |
| Medical Insurance | 10,876 | |
| Employer Medicare | 997 | |
| Maintenance and Repair Services - Equipment | 539 | |
| Maintenance and Repair Services - Vehicles | 4,871 | |
| Printing, Stationery, and Forms | 353 | |
| Disposal Fees | 17,613 | |
| Gasoline | 6,240 | |
| Other Supplies and Materials | 1,092 | |
| Other Charges | 189 | |
| Other Capital Outlay | 4,700 | |
| Total Waste Pickup | | 129,261 |

Social, Cultural, and Recreational Services

Other Social, Cultural, and Recreational

| | | |
|--|----------|-------|
| Other Charges | \$ 2,000 | |
| Total Other Social, Cultural, and Recreational | | 2,000 |

Other Operations

Other Charges

| | | |
|---------------------------------|-----------|--------|
| Electricity | \$ 53,520 | |
| Trustee's Commission | 10,392 | |
| Workers' Compensation Insurance | 17,302 | |
| Other Charges | 1,886 | |
| Total Other Charges | | 83,100 |

Employee Benefits

| | | |
|-------------------------|----------|-------|
| State Retirement | \$ 3,712 | |
| Total Employee Benefits | | 3,712 |

(Continued)

Exhibit I-6

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

Urban Services Fund (Cont.)

Highways

Highway and Bridge Maintenance

| | | | |
|--------------------------------------|----|--------|-----------|
| Engineering Services | \$ | 649 | |
| Asphalt - Hot Mix | | 50,622 | |
| Total Highway and Bridge Maintenance | | | \$ 51,271 |

Principal on Debt

General Government

| | | | |
|-----------------------------|----|--------|--------|
| Principal on Bonds | \$ | 17,109 | |
| Principal on Capital Leases | | 21,893 | |
| Total General Government | | | 39,002 |

Interest on Debt

General Government

| | | | |
|--------------------------|----|-------|-------|
| Interest on Bonds | \$ | 1,863 | |
| Total General Government | | | 1,863 |

Total Urban Services Fund \$ 640,615

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

| | | | |
|---|----|--------|------------|
| Supervisor/Director | \$ | 15,199 | |
| Truck Drivers | | 45,299 | |
| Attendants | | 40,266 | |
| Overtime Pay | | 5,971 | |
| Social Security | | 6,522 | |
| State Retirement | | 14,419 | |
| Medical Insurance | | 10,944 | |
| Employer Medicare | | 1,525 | |
| Maintenance and Repair Services - Equipment | | 2,116 | |
| Maintenance and Repair Services - Vehicles | | 13,978 | |
| Postal Charges | | 21 | |
| Printing, Stationery, and Forms | | 353 | |
| Electricity | | 1,693 | |
| Gasoline | | 24,567 | |
| Water and Sewer | | 555 | |
| Other Supplies and Materials | | 1,269 | |
| Motor Vehicles | | 4,700 | |
| Site Development | | 105 | |
| Total Convenience Centers | | | \$ 189,502 |

(Continued)

Exhibit I-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal

| | | |
|----------------------------|------------|------------|
| Disposal Fees | \$ 126,360 | |
| Trustee's Commission | 6,024 | |
| Total Other Waste Disposal | | \$ 132,384 |

Postclosure Care Costs

| | | |
|---|----------|-------|
| Engineering Services | \$ 1,847 | |
| Landfill Closure/Postclosure Care Costs | 502 | |
| Total Postclosure Care Costs | | 2,349 |

Other Operations

Other Charges

| | | |
|---------------------------------|----------|-------|
| Workers' Compensation Insurance | \$ 8,931 | |
| Total Other Charges | | 8,931 |

Total Solid Waste/Sanitation Fund \$ 333,166

Drug Control Fund

Public Safety

Drug Enforcement

| | | |
|---------------------------|--------|-----------|
| Law Enforcement Supplies | \$ 555 | |
| Trustee's Commission | 113 | |
| Law Enforcement Equipment | 24,450 | |
| Total Drug Enforcement | | \$ 25,118 |

Public Health and Welfare

Alcohol and Drug Programs

| | | |
|--------------------------------------|----------|-------|
| Instructional Supplies and Materials | \$ 1,488 | |
| Total Alcohol and Drug Programs | | 1,488 |

Total Drug Control Fund 26,606

District Attorney General Fund

Administration of Justice

District Attorney General

| | |
|------------------------------|----------|
| Salary Supplements | \$ 3,683 |
| Dues and Memberships | 90 |
| Travel | 2,834 |
| Other Contracted Services | 1,900 |
| Library Books/Media | 2,597 |
| Other Supplies and Materials | 441 |

(Continued)

Exhibit I-6

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

District Attorney General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General (Cont.)

| | | | |
|---------------------------------|----|-----|-----------|
| Trustee's Commission | \$ | 201 | |
| In Service/Staff Development | | 582 | |
| Other Charges | | 152 | |
| Other Equipment | | 389 | |
| Total District Attorney General | | | \$ 12,869 |

Total District Attorney General Fund \$ 12,869

Highway/Public Works Fund

Highways

Administration

| | | | |
|---|----|--------|------------|
| County Official/Administrative Officer | \$ | 51,226 | |
| Accountants/Bookkeepers | | 26,622 | |
| Other Salaries and Wages | | 1,992 | |
| Board and Committee Members Fees | | 1,200 | |
| Social Security | | 4,622 | |
| State Retirement | | 6,239 | |
| Employer Medicare | | 1,081 | |
| Communication | | 8,560 | |
| Data Processing Services | | 3,558 | |
| Dues and Memberships | | 1,801 | |
| Legal Notices, Recording, and Court Costs | | 50 | |
| Maintenance and Repair Services - Buildings | | 1,449 | |
| Pest Control | | 85 | |
| Postal Charges | | 597 | |
| Printing, Stationery, and Forms | | 666 | |
| Travel | | 362 | |
| Custodial Supplies | | 206 | |
| Data Processing Supplies | | 484 | |
| Drugs and Medical Supplies | | 245 | |
| Electricity | | 3,114 | |
| Natural Gas | | 1,906 | |
| Office Supplies | | 552 | |
| Propane Gas | | 41 | |
| Water and Sewer | | 704 | |
| Premiums on Corporate Surety Bonds | | 350 | |
| Other Charges | | 836 | |
| Office Equipment | | 20 | |
| Total Administration | | | \$ 118,568 |

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

| | | | |
|--------------------------------------|----|---------|------------|
| Foremen | \$ | 132,088 | |
| Equipment Operators | | 115,474 | |
| Truck Drivers | | 132,375 | |
| Laborers | | 26,288 | |
| Social Security | | 24,408 | |
| State Retirement | | 28,226 | |
| Employer Medicare | | 5,708 | |
| Asphalt - Hot Mix | | 406,554 | |
| Asphalt - Liquid | | 566 | |
| Crushed Stone | | 45,559 | |
| Electricity | | 80 | |
| General Construction Materials | | 2,829 | |
| Pipe | | 9,567 | |
| Propane Gas | | 50 | |
| Road Signs | | 2,827 | |
| Salt | | 2,718 | |
| Small Tools | | 335 | |
| Wood Products | | 276 | |
| Other Supplies and Materials | | 306 | |
| Other Charges | | 387 | |
| Total Highway and Bridge Maintenance | | | \$ 936,621 |

Operation and Maintenance of Equipment

| | | | |
|--|----|--------|---------|
| Mechanic(s) | \$ | 27,716 | |
| Social Security | | 1,707 | |
| State Retirement | | 2,240 | |
| Employer Medicare | | 399 | |
| Maintenance and Repair Services - Equipment | | 17,436 | |
| Maintenance and Repair Services - Vehicles | | 1,456 | |
| Rentals | | 1,700 | |
| Diesel Fuel | | 32,474 | |
| Equipment and Machinery Parts | | 35,057 | |
| Garage Supplies | | 1,335 | |
| Gasoline | | 43,597 | |
| Lubricants | | 4,962 | |
| Small Tools | | 296 | |
| Tires and Tubes | | 8,078 | |
| Other Supplies and Materials | | 344 | |
| Other Charges | | 142 | |
| Total Operation and Maintenance of Equipment | | | 178,939 |

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

| | | | |
|---------------------------------|----|--------|------------|
| Evaluation and Testing | \$ | 731 | |
| Other Contracted Services | | 650 | |
| Trustee's Commission | | 12,535 | |
| Vehicle and Equipment Insurance | | 31,608 | |
| Workers' Compensation Insurance | | 62,000 | |
| Liability Claims | | 1,159 | |
| Other Charges | | 112 | |
| Principal on Notes | | 8,006 | |
| Interest on Notes | | 1,994 | |
| Total Other Charges | | | \$ 118,795 |

Employee Benefits

| | | | |
|---|----|--------|--------|
| Handling Charges and Administrative Costs | \$ | 67 | |
| Medical Insurance | | 44,729 | |
| Unemployment Compensation | | 5,057 | |
| Total Employee Benefits | | | 49,853 |

Capital Outlay

| | | | |
|-------------------------|----|---------|---------|
| Engineering Services | \$ | 41,940 | |
| Bridge Construction | | 166,496 | |
| Building Improvements | | 225 | |
| Communication Equipment | | 157 | |
| Motor Vehicles | | 9,475 | |
| Other Equipment | | 2,479 | |
| Other Construction | | 7,347 | |
| Total Capital Outlay | | | 228,119 |

Total Highway/Public Works Fund \$ 1,630,895

General Debt Service Fund

Principal on Debt

General Government

| | | | |
|--------------------------|----|--------|-----------|
| Principal on Notes | \$ | 69,000 | |
| Total General Government | | | \$ 69,000 |

Education

| | | | |
|--------------------------|----|---------|---------|
| Principal on Other Loans | \$ | 148,288 | |
| Total Education | | | 148,288 |

(Continued)

Exhibit I-6

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

| | | | |
|--|------------|----|---------------------|
| <u>General Debt Service Fund (Cont.)</u> | | | |
| <u>Interest on Debt</u> | | | |
| <u>General Government</u> | | | |
| Interest on Notes | \$ 32,539 | | |
| Total General Government | | \$ | 32,539 |
| | | | |
| <u>Education</u> | | | |
| Interest on Other Loans | \$ 80,422 | | |
| Total Education | | | 80,422 |
| | | | |
| <u>Other Debt Service</u> | | | |
| <u>General Government</u> | | | |
| Trustee's Commission | \$ 3,030 | | |
| Total General Government | | | <u>3,030</u> |
| Total General Debt Service Fund | | | \$ 333,279 |
| | | | |
| <u>Education Debt Service Fund</u> | | | |
| <u>Principal on Debt</u> | | | |
| <u>Education</u> | | | |
| Principal on Other Loans | \$ 351,000 | | |
| Total Education | | \$ | 351,000 |
| | | | |
| <u>Interest on Debt</u> | | | |
| <u>Education</u> | | | |
| Interest on Other Loans | \$ 327,014 | | |
| Total Education | | | 327,014 |
| | | | |
| <u>Other Debt Service</u> | | | |
| <u>Education</u> | | | |
| Trustee's Commission | \$ 9,020 | | |
| Total Education | | | <u>9,020</u> |
| Total Education Debt Service Fund | | | 687,034 |
| | | | |
| <u>General Capital Projects Fund</u> | | | |
| <u>Capital Projects</u> | | | |
| <u>General Administration Projects</u> | | | |
| Architects | \$ 15,483 | | |
| Total General Administration Projects | | \$ | 15,483 |
| | | | |
| <u>Social, Cultural, and Recreation Projects</u> | | | |
| Architects | \$ 1,534 | | |
| Building Construction | 19,106 | | |
| Total Social, Cultural, and Recreation Projects | | | <u>20,640</u> |
| Total General Capital Projects Fund | | | <u>36,123</u> |
| Total Governmental Funds - Primary Government | | | <u>\$ 8,291,557</u> |

Exhibit I-7

Hartsville/Trousdale County Government, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2007

| | Major Fund |
|---|-------------------------|
| | Enterprise Fund |
| | Water and Sewer Fund |
| <u>Operating Revenues</u> | |
| <u>Charges for Current Services</u> | |
| Other General Service Charges | \$ 33,235 |
| Water Sales | 1,151,043 |
| Sewer Charges | 304,496 |
| Forfeited Discounts | 22,340 |
| Water Tap Fees | 174,000 |
| Sewer Tap Fees | 39,000 |
| Total Charges for Current Services | <u>\$ 1,724,114</u> |
| <u>Other Local Revenues</u> | |
| Miscellaneous Refunds | \$ 80,496 |
| Other Local Revenues | 853 |
| Total Other Local Revenues | <u>\$ 81,349</u> |
| Total Operating Revenues | <u>\$ 1,805,463</u> |
| <u>Nonoperating Revenues</u> | |
| Investment Income | \$ 68,916 |
| Grant Revenues | 534,704 |
| Total Nonoperating Revenues | <u>\$ 603,620</u> |
| Total Revenues | <u>\$ 2,409,083</u> |
| <u>Operating Expenses</u> | |
| <u>Landfill Operation and Maintenance</u> | |
| Salaries and Wages | \$ 441,188 |
| Overtime Pay | 41,157 |
| In-Service Training | 1,605 |
| Social Security | 35,656 |
| Handling Charges and Administrative Costs | 65 |
| State Retirement | 78,916 |
| Medical Insurance | 57,760 |
| Architects | 6,593 |
| Audit Services | 62 |
| Communication | 24,192 |

(Continued)

Exhibit I-7

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

| | Major Fund |
|--|---------------------------------|
| | <u>Enterprise Fund</u> |
| | <u>Water and Sewer Fund</u> |
| <u>Operating Expenses (Cont.)</u> | |
| <u>Landfill Operation and Maintenance (Cont.)</u> | |
| Data Processing Services | \$ 18,182 |
| Dues and Memberships | 10,000 |
| Engineering Services | 964 |
| Legal Notices and Recording Costs | 453 |
| Maintenance and Repair Services - Buildings | 8,246 |
| Maintenance and Repair Services - Equipment | 58,253 |
| Maintenance and Repair Services - Office Equipment | 11,445 |
| Maintenance and Repair Services - Vehicles | 4,087 |
| Postal Charges | 12,812 |
| Rentals | 2,420 |
| Travel | 437 |
| Other Contracted Services | 41,971 |
| Electricity | 154,602 |
| Gasoline | 19,306 |
| Natural Gas | 3,923 |
| Office Supplies | 7,579 |
| Tires and Tubes | 499 |
| Vehicle Parts | 432 |
| Water and Sewer | 9,969 |
| Chemicals | 33,180 |
| Other Supplies and Materials | 31,835 |
| Liability Insurance | 49,824 |
| Other Charges | 1,000 |
| Office Equipment | 2,543 |
| Other Equipment | 19,602 |
| Other Construction | 905,769 |
| Other Capital Outlay | 105,540 |
| Total Operating Expenses | <u>\$ 2,202,067</u> |
| <u>Nonoperating Expenses</u> | |
| Interest on Bonds | <u>\$ 45,452</u> |
| Total Expenses | <u><u>\$ 2,247,519</u></u> |

ANNUAL FINANCIAL REPORT
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT
SCHOOL DEPARTMENT
A COMPONENT UNIT OF
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

TIM BRASHEARS
RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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

Annual Financial Report
Hartsville/Trousdale County Government School Department
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Hartsville/Trousdale County Government School Department as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
 - ◆ The School Department had not completed the steps set forth in the implementation plan for GASB Statement No. 34 filed with the Comptroller of the Treasury.
 - ◆ The School Federal Projects Fund had a deficit in unreserved fund balance (\$10,662) and a cash overdraft (\$64,792) at June 30, 2007.
 - ◆ Cash With Trustee accounts were not properly reconciled with the county trustee's reports.
 - ◆ Purchase orders were not issued for some required purchases or were issued after purchases were made. Also, some invoices were paid without documentation that goods had been received or services had been rendered.
 - ◆ Some assets were not tagged or otherwise clearly identified as School Department property. In addition, some inventory records did not contain the assets' serial numbers or other unique forms of identification that would allow items to be physically verified.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Office of Director of Schools.
- ◆ School Department employee bonuses paid by the General Fund are of questionable legality.

INTRODUCTORY SECTION

Hartsville/Trousdale County Government School Officials
June 30, 2007

Official

Margaret Oldham, Director of Schools

Board of Education

James Crabtree, Chairman

Kim Chumley

Barry Holder

Randy Linville

Regina Waller

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 20, 2008

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Hartsville/Trousdale County Government School Department, a component unit of Hartsville/Trousdale County Government, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 27, which collectively comprise a portion of the Hartsville/Trousdale County Government School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hartsville/Trousdale County Government School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hartsville/Trousdale County Government School Department as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Hartsville/Trousdale County Government School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2008, on our consideration of the Hartsville/Trousdale County Government School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 31 through 33 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hartsville/ Trousdale County Government, Tennessee
Balance Sheet - Governmental Funds
Hartsville/ Trousdale County School Department
June 30, 2007

| | <u>Major Fund</u> | <u>Nonmajor Fund</u> | <u>Total</u> |
|---|------------------------------|---------------------------------------|----------------------------|
| | General Purpose School | School Federal Projects Fund | Govern- mental Funds |
| <u>ASSETS</u> | | | |
| Equity in Pooled Cash and Investments | \$ 1,908,853 | \$ 0 | \$ 1,908,853 |
| Due from Other Governments | 148,845 | 85,200 | 234,045 |
| Due from Other Funds | 7,521 | 6,406 | 13,927 |
| Property Taxes Receivable | 934,212 | 0 | 934,212 |
| Allowance for Uncollectible Property Taxes | (39,336) | 0 | (39,336) |
| Total Assets | \$ 2,960,095 | \$ 91,606 | \$ 3,051,701 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 25,195 | \$ 0 | \$ 25,195 |
| Payroll Deductions Payable | 242,719 | 11,399 | 254,118 |
| Cash Overdraft | 0 | 64,792 | 64,792 |
| Due to Other Funds | 6,406 | 7,521 | 13,927 |
| Deferred Revenue - Current Property Taxes | 854,732 | 0 | 854,732 |
| Deferred Revenue - Delinquent Property Taxes | 36,616 | 0 | 36,616 |
| Other Deferred Revenues | 38,039 | 0 | 38,039 |
| Total Liabilities | \$ 1,203,707 | \$ 83,712 | \$ 1,287,419 |
| <u>Fund Balances</u> | | | |
| Reserved for Career Ladder - Extended Contract | \$ 23,384 | \$ 0 | \$ 23,384 |
| Reserved for Career Ladder Program | 6,175 | 0 | 6,175 |
| Reserved for Basic Education Program | 524,260 | 0 | 524,260 |
| Other State Education Reserves | 13,681 | 0 | 13,681 |
| Reserved for Title I Grants to Local Education Agencies | 0 | 1,471 | 1,471 |
| Reserved for Innovative Education Program Strategies | 0 | 850 | 850 |
| Other Federal Reserves | 0 | 16,235 | 16,235 |
| Unreserved, Reported In: | | | |
| General Fund | 1,188,888 | 0 | 1,188,888 |
| Special Revenue Funds (Deficit) | 0 | (10,662) | (10,662) |
| Total Fund Balances | \$ 1,756,388 | \$ 7,894 | \$ 1,764,282 |
| Total Liabilities and Fund Balances | \$ 2,960,095 | \$ 91,606 | \$ 3,051,701 |

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

Exhibit B

Hartsville/ Trousdale County Government, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Hartsville/ Trousdale County School Department
For the Year Ended June 30, 2007

| | <u>Major Fund</u> | <u>Nonmajor Fund</u> | |
|--|------------------------------|---------------------------------------|--------------------------------|
| | General Purpose School | School Federal Projects Fund | Total Governmental Funds |
| <u>Revenues</u> | | | |
| Local Taxes | \$ 1,373,604 | \$ 0 | \$ 1,373,604 |
| Licenses and Permits | 808 | 0 | 808 |
| Charges for Current Services | 330 | 0 | 330 |
| Other Local Revenues | 52,317 | 286 | 52,603 |
| State of Tennessee | 6,355,663 | 0 | 6,355,663 |
| Federal Government | 456,742 | 557,537 | 1,014,279 |
| Other Governments and Citizens Groups | 40,000 | 0 | 40,000 |
| Total Revenues | <u>\$ 8,279,464</u> | <u>\$ 557,823</u> | <u>\$ 8,837,287</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | \$ 5,088,303 | \$ 418,361 | \$ 5,506,664 |
| Support Services | 2,930,383 | 146,093 | 3,076,476 |
| Operation of Non-Instructional Services | 248,105 | 0 | 248,105 |
| Capital Outlay | 20,719 | 0 | 20,719 |
| Debt Service: | | | |
| Other Debt Service | 245,000 | 0 | 245,000 |
| Total Expenditures | <u>\$ 8,532,510</u> | <u>\$ 564,454</u> | <u>\$ 9,096,964</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (253,046)</u> | <u>\$ (6,631)</u> | <u>\$ (259,677)</u> |
| Net Change in Fund Balances | \$ (253,046) | \$ (6,631) | \$ (259,677) |
| Fund Balance, July 1, 2006 | <u>2,009,434</u> | <u>14,525</u> | <u>2,023,959</u> |
| Fund Balance, June 30, 2007 | <u>\$ 1,756,388</u> | <u>\$ 7,894</u> | <u>\$ 1,764,282</u> |

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

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT
A COMPONENT UNIT OF HARTSVILLE/TROUSDALE
COUNTY GOVERNMENT, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Trousdale County elect its board. The School Department is a component unit of the consolidated Hartsville/Trousdale County Government, the primary government. The School Department is fiscally dependent on the consolidated government because it may not issue debt without consolidated

government approval, and its budget and property tax levies are subject to the consolidated government's approval. The School Department's taxes are levied under the taxing authority of the consolidated government and are included as part of the consolidated government's total tax levy.

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

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

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

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

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

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund type:

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

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

1. **Deposits and Investments**

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

The consolidated government trustee maintains a cash and internal investment pool that is used by the Hartsville/Trousdale County Government (excluding the Water and Sewer Fund) and the School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the consolidated government's General Fund. Hartsville/Trousdale County Government and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one 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 for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollected property taxes is equal to 2.35 percent of total taxes levied.

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

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

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be

reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

4. Compensated Absences

The School Department does not allow for the accumulation of unused vacation and sick days beyond year-end, except for professional personnel of the School Department. The School Department allows professional personnel (teachers) to accumulate an unlimited amount of unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Fund Deficit

The School Federal Projects Fund had a deficit in unreserved fund balance of \$10,662 at June 30, 2007. This fund deficit resulted from expenditures exceeding available funds. This deficit was liquidated subsequent to June 30, 2007, when federal grant revenues were received.

C. Cash Overdraft

The School Federal Projects Fund had a cash overdraft of \$64,792 at June 30, 2007. This cash overdraft resulted from the issuance of warrants that exceeded cash on deposit with the consolidated government trustee. The cash overdraft was liquidated subsequent to June 30, 2007.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Hartsville/Trousdale County Commission in the Support Services – Special Education Program major appropriation category (the legal level of control) of the General Purpose School Fund by \$1,246. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

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

Investments

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

Investment Balances. As of June 30, 2007, Hartsville/Trousdale County Government had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Hartsville/Trousdale County Government and the School Department since both pool their deposits and investments through the trustee.

| <u>Investment</u> | <u>Maturities</u> | <u>Cost</u> |
|-----------------------------------|-------------------|-------------|
| State Treasurer's Investment Pool | Daily | \$ 260,295 |

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hartsville/Trousdale County Government has no investment policy that would further limit its investment choices. As of June 30, 2007, Hartsville/Trousdale County Government's investment in the State Treasurer's Investment Pool was unrated.

B. Interfund Receivables and Payables

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

Due to/from Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|------------------------|------------------|
| General Purpose School | Nonmajor governmental | \$ 7,521 |
| Nonmajor governmental | General Purpose School | <u>6,406</u> |
| Total | | <u>\$ 13,927</u> |

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.

IV. OTHER INFORMATION

A. Risk Management

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

The School Department joined the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the

Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Contingent Liabilities

The School Department's attorney advised us there are no pending lawsuits in which the department is involved as of the date of this report.

C. Retirement Commitments

Employees

Plan Description

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

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

Since the Hartsville/Trousdale County School Department participates in Hartsville/Trousdale County Government's plan, retirement information for the Hartsville/Trousdale County School Department is not available

separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of Hartsville/Trousdale County Government, Tennessee.

School Teachers

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <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 Hartsville/Trousdale 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 Hartsville/Trousdale County School

Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$282,688, \$236,865, and \$227,015, respectively, equal to the required contributions for each year.

D. Termination Benefits

In August 2005, the Board of Education initiated a voluntary retirement incentive program for certified employees who retire from the system with at least 15 years service with the School Department. This incentive consists of a cash payment of \$10 per day for each sick and professional day held by the employee at their retirement date. During the year, one employee retired and received a payment of \$1,875 under this program. The director of schools stated that this program is intended to be an on-going incentive, and there is no limit to the number of accumulated days that employees can be paid under the program. The employees are entitled to this benefit when they formally notify the School Department of their retirement date.

The cost of these termination benefits is normally recognized in the governmental funds when payments are made to retirees. A liability for any unpaid amounts at year end is reported in the governmental funds only to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. In the government-wide financial statements, a liability and expense for these benefits should be recognized when the employee formally notifies the School Department of their intention to retire and the payment amount can be estimated. The costs of any unpaid benefits at year end, if any, based on the discounted total of estimated future benefits at current cost levels, should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements. At June 30, 2007, the School Department had no liability for unpaid termination benefits.

E. Purchasing Law

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hartsville/ Trousdale County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------|------------------|--------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 1,373,604 | \$ 1,353,648 | \$ 1,353,648 | \$ 19,956 |
| Licenses and Permits | 808 | 800 | 800 | 8 |
| Charges for Current Services | 330 | 400 | 400 | (70) |
| Other Local Revenues | 52,317 | 16,750 | 16,750 | 35,567 |
| State of Tennessee | 6,355,663 | 6,201,900 | 6,467,722 | (112,059) |
| Federal Government | 456,742 | 347,187 | 319,605 | 137,137 |
| Other Governments and Citizens Groups | 40,000 | 0 | 40,000 | 0 |
| Total Revenues | \$ 8,279,464 | \$ 7,920,685 | \$ 8,198,925 | \$ 80,539 |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 3,882,610 | \$ 3,736,610 | \$ 3,882,610 | \$ 0 |
| Special Education Program | 746,986 | 813,300 | 813,300 | 66,314 |
| Vocational Education Program | 389,225 | 384,417 | 394,917 | 5,692 |
| Adult Education Program | 69,482 | 63,953 | 69,953 | 471 |
| <u>Support Services</u> | | | | |
| Attendance | 65,924 | 66,350 | 66,350 | 426 |
| Health Services | 54,818 | 57,018 | 56,988 | 2,170 |
| Other Student Support | 195,996 | 188,412 | 196,482 | 486 |
| Regular Instruction Program | 368,680 | 375,000 | 386,400 | 17,720 |
| Special Education Program | 125,496 | 124,250 | 124,250 | (1,246) |
| Vocational Education Program | 41,587 | 0 | 42,130 | 543 |
| Adult Programs | 37,858 | 38,425 | 38,425 | 567 |
| Board of Education | 116,050 | 118,415 | 118,415 | 2,365 |
| Director of Schools | 142,706 | 144,652 | 144,652 | 1,946 |
| Office of the Principal | 515,653 | 533,290 | 533,290 | 17,637 |
| Fiscal Services | 95,272 | 93,650 | 98,350 | 3,078 |
| Operation of Plant | 586,999 | 659,170 | 659,170 | 72,171 |
| Maintenance of Plant | 198,248 | 109,585 | 229,585 | 31,337 |
| Transportation | 385,096 | 441,950 | 431,420 | 46,324 |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | 248,105 | 248,935 | 248,935 | 830 |
| <u>Capital Outlay</u> | | | | |
| Regular Capital Outlay | 20,719 | 130,000 | 30,000 | 9,281 |
| <u>Principal on Debt</u> | | | | |
| Education | 0 | 245,000 | 0 | 0 |
| <u>Other Debt Service</u> | | | | |
| Education | 245,000 | 0 | 245,000 | 0 |
| Total Expenditures | \$ 8,532,510 | \$ 8,572,382 | \$ 8,810,622 | \$ 278,112 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (253,046) | \$ (651,697) | \$ (611,697) | \$ 358,651 |

(Continued)

Exhibit C

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|--------------|------------------|--------------|--|
| | | Original | Final | |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 0 | \$ 40,000 | \$ 0 | \$ 0 |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 40,000 | \$ 0 | \$ 0 |
| Net Change in Fund Balance | \$ (253,046) | \$ (611,697) | \$ (611,697) | \$ 358,651 |
| Fund Balance, July 1, 2006 | 2,009,434 | 1,746,089 | 1,746,089 | 263,345 |
| Fund Balance, June 30, 2007 | \$ 1,756,388 | \$ 1,134,392 | \$ 1,134,392 | \$ 621,996 |

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the Hartsville/Trousdale County Commission in the Support Services – Special Education Program major appropriation category (the legal level of control) of the General Purpose School Fund by \$1,246. Such overexpenditures are a violation of state statutes. These overexpenditures were funded greater than anticipated revenues.

**INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Exhibit D

Hartsville/ Trousdale County Government, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hartsville/ Trousdale County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|-------------------|-------------------|-------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Other Local Revenues | \$ 286 | \$ 0 | \$ 0 | \$ 286 |
| Federal Government | 557,537 | 573,475 | 573,475 | (15,938) |
| Total Revenues | \$ 557,823 | \$ 573,475 | \$ 573,475 | \$ (15,652) |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 188,204 | \$ 189,183 | \$ 195,915 | \$ 7,711 |
| Special Education Program | 215,814 | 320,115 | 307,115 | 91,301 |
| Vocational Education Program | 14,343 | 16,955 | 18,980 | 4,637 |
| <u>Support Services</u> | | | | |
| Other Student Support | 4,341 | 7,026 | 4,371 | 30 |
| Regular Instruction Program | 92,181 | 115,250 | 109,118 | 16,937 |
| Special Education Program | 36,444 | 52,040 | 65,040 | 28,596 |
| Vocational Education Program | 230 | 200 | 230 | 0 |
| Transportation | 12,897 | 25,235 | 25,235 | 12,338 |
| Total Expenditures | \$ 564,454 | \$ 726,004 | \$ 726,004 | \$ 161,550 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (6,631) | \$ (152,529) | \$ (152,529) | \$ 145,898 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 0 | \$ 2,000 | \$ 0 | \$ 0 |
| Transfers Out | 0 | (2,000) | 0 | 0 |
| Total Other Financing Sources (Uses) | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Net Change in Fund Balance | \$ (6,631) | \$ (152,529) | \$ (152,529) | \$ 145,898 |
| Fund Balance, July 1, 2006 | 14,525 | 152,529 | 152,529 | (138,004) |
| Fund Balance, June 30, 2007 | \$ 7,894 | \$ 0 | \$ 0 | \$ 7,894 |

MISCELLANEOUS SCHEDULES

Exhibit E-1

Hartsville/Trousdale County Government, Tennessee
Schedule of Salary and Official Bond of Principal Official
Hartsville/Trousdale County School Department
For the Year Ended June 30, 2007

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|---|---|------------------------------------|------------|---------------------------------|
| Director of Schools | State Board of Education and Hartsville/Trousdale County Government Board of Education | \$ 88,572 (1) | (2) | |
| Employee Blanket Bond Coverage: School Employees | | | \$ 150,000 | Tennessee Risk Management Trust |

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

Exhibit E-2

Hartsville/ Trousdale County Government, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Hartsville/ Trousdale County School Department
For the Year Ended June 30, 2007

| | General Purpose School | School Federal Projects | Total |
|--|------------------------------|-------------------------------|---------------------|
| <u>Local Taxes</u> | | | |
| <u>County Property Taxes</u> | | | |
| Current Property Tax | \$ 754,115 | \$ 0 | \$ 754,115 |
| Discount on Property Taxes | (4,325) | 0 | (4,325) |
| Trustee's Collections - Prior Year | 36,023 | 0 | 36,023 |
| Circuit/Clerk & Master Collections - Prior Years | 11,256 | 0 | 11,256 |
| Interest and Penalty | 6,659 | 0 | 6,659 |
| Payments in-Lieu-of Taxes - T.V.A. | 150,981 | 0 | 150,981 |
| <u>County Local Option Taxes</u> | | | |
| Local Option Sales Tax | 408,722 | 0 | 408,722 |
| Business Tax | 8,430 | 0 | 8,430 |
| <u>Statutory Local Taxes</u> | | | |
| Interstate Telecommunications Tax | 1,743 | 0 | 1,743 |
| Total Local Taxes | <u>\$ 1,373,604</u> | <u>\$ 0</u> | <u>\$ 1,373,604</u> |
| <u>Licenses and Permits</u> | | | |
| <u>Licenses</u> | | | |
| Marriage Licenses | \$ 808 | \$ 0 | \$ 808 |
| Total Licenses and Permits | <u>\$ 808</u> | <u>\$ 0</u> | <u>\$ 808</u> |
| <u>Charges for Current Services</u> | | | |
| <u>Education Charges</u> | | | |
| Tuition - Summer School | \$ 330 | \$ 0 | \$ 330 |
| Total Charges for Current Services | <u>\$ 330</u> | <u>\$ 0</u> | <u>\$ 330</u> |
| <u>Other Local Revenues</u> | | | |
| <u>Recurring Items</u> | | | |
| Miscellaneous Refunds | \$ 52,245 | \$ 286 | \$ 52,531 |
| <u>Nonrecurring Items</u> | | | |
| Damages Recovered from Individuals | 41 | 0 | 41 |
| Contributions and Gifts | 31 | 0 | 31 |
| Total Other Local Revenues | <u>\$ 52,317</u> | <u>\$ 286</u> | <u>\$ 52,603</u> |
| <u>State of Tennessee</u> | | | |
| <u>State Education Funds</u> | | | |
| Basic Education Program | \$ 6,149,744 | \$ 0 | \$ 6,149,744 |
| School Food Service | 7,260 | 0 | 7,260 |
| Driver Education | 5,462 | 0 | 5,462 |
| Other State Education Funds | 40,730 | 0 | 40,730 |
| Career Ladder Program | 62,365 | 0 | 62,365 |
| Career Ladder - Extended Contract | 48,083 | 0 | 48,083 |
| <u>Other State Revenues</u> | | | |
| Other State Grants | 33,582 | 0 | 33,582 |
| Other State Revenues | 8,437 | 0 | 8,437 |
| Total State of Tennessee | <u>\$ 6,355,663</u> | <u>\$ 0</u> | <u>\$ 6,355,663</u> |

(Continued)

Exhibit E-2

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

| | General Purpose School | School Federal Projects | Total |
|--|------------------------------|-------------------------------|---------------------|
| <u>Federal Government</u> | | | |
| <u>Federal Through State</u> | | | |
| USDA School Lunch Program | \$ 197,533 | \$ 0 | \$ 197,533 |
| Breakfast | 40,472 | 0 | 40,472 |
| Adult Education State Grant Program | 106,790 | 0 | 106,790 |
| Vocational Education - Basic Grants to States | 0 | 26,133 | 26,133 |
| Title I Grants to Local Education Agencies | 0 | 197,853 | 197,853 |
| Innovative Education Program Strategies | 0 | 7,016 | 7,016 |
| Special Education - Grants to States | 0 | 244,988 | 244,988 |
| Eisenhower Professional Development State Grants | 0 | 63,199 | 63,199 |
| Other Federal through State | 111,947 | 18,348 | 130,295 |
| Total Federal Government | <u>\$ 456,742</u> | <u>\$ 557,537</u> | <u>\$ 1,014,279</u> |
| <u>Other Governments and Citizens Groups</u> | | | |
| <u>Other Governments</u> | | | |
| Contributions | \$ 40,000 | \$ 0 | \$ 40,000 |
| Total Other Governments and Citizens Groups | <u>\$ 40,000</u> | <u>\$ 0</u> | <u>\$ 40,000</u> |
| Total | <u>\$ 8,279,464</u> | <u>\$ 557,823</u> | <u>\$ 8,837,287</u> |

Exhibit E-3

Hartsville/ Trousdale County Government, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Hartsville/ Trousdale County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

| | | | |
|--------------------------------------|----|-----------|--------------|
| Teachers | \$ | 2,618,264 | |
| Career Ladder Program | | 38,000 | |
| Career Ladder Extended Contracts | | 20,300 | |
| Homebound Teachers | | 3,179 | |
| Salary Supplements | | 61,100 | |
| Educational Assistants | | 38,126 | |
| Other Salaries and Wages | | 27,454 | |
| Certified Substitute Teachers | | 48,249 | |
| Non-certified Substitute Teachers | | 36,907 | |
| Social Security | | 164,862 | |
| State Retirement | | 170,122 | |
| Medical Insurance | | 259,469 | |
| Employer Medicare | | 40,275 | |
| Travel | | 1,171 | |
| Other Contracted Services | | 14,016 | |
| Instructional Supplies and Materials | | 115,688 | |
| Textbooks | | 117,918 | |
| Other Charges | | 4,390 | |
| Regular Instruction Equipment | | 103,120 | |
| Total Regular Instruction Program | | | \$ 3,882,610 |

Special Education Program

| | | | |
|--------------------------------------|----|---------|---------|
| Teachers | \$ | 518,453 | |
| Career Ladder Program | | 9,000 | |
| Career Ladder Extended Contracts | | 4,780 | |
| Homebound Teachers | | 4,058 | |
| Salary Supplements | | 16,100 | |
| Educational Assistants | | 49,364 | |
| Certified Substitute Teachers | | 390 | |
| Non-certified Substitute Teachers | | 1,650 | |
| Social Security | | 35,319 | |
| State Retirement | | 36,999 | |
| Medical Insurance | | 40,456 | |
| Employer Medicare | | 8,259 | |
| Contracts with Other School Systems | | 18,684 | |
| Instructional Supplies and Materials | | 2,601 | |
| Other Supplies and Materials | | 873 | |
| Total Special Education Program | | | 746,986 |

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

| | | | |
|--------------------------------------|----|---------|------------|
| Teachers | \$ | 275,524 | |
| Career Ladder Program | | 80 | |
| Salary Supplements | | 6,300 | |
| Certified Substitute Teachers | | 6,268 | |
| Non-certified Substitute Teachers | | 3,779 | |
| Social Security | | 16,606 | |
| State Retirement | | 17,569 | |
| Medical Insurance | | 30,286 | |
| Employer Medicare | | 4,148 | |
| Instructional Supplies and Materials | | 20,537 | |
| Vocational Instruction Equipment | | 8,128 | |
| Total Vocational Education Program | | | \$ 389,225 |

Adult Education Program

| | | | |
|--------------------------------------|----|--------|--------|
| Teachers | \$ | 25,861 | |
| Social Security | | 1,603 | |
| State Retirement | | 1,437 | |
| Employer Medicare | | 375 | |
| Instructional Supplies and Materials | | 28,204 | |
| Textbooks | | 2,000 | |
| Other Charges | | 5,007 | |
| Other Equipment | | 4,995 | |
| Total Adult Education Program | | | 69,482 |

Support Services

Attendance

| | | | |
|---------------------------|----|--------|--------|
| Supervisor/Director | \$ | 51,249 | |
| Career Ladder Program | | 1,000 | |
| Salary Supplements | | 700 | |
| Social Security | | 3,386 | |
| State Retirement | | 3,375 | |
| Employer Medicare | | 792 | |
| Travel | | 970 | |
| Other Contracted Services | | 4,452 | |
| Total Attendance | | | 65,924 |

Health Services

| | | | |
|--------------------|----|--------|--|
| Medical Personnel | \$ | 43,079 | |
| Salary Supplements | | 1,400 | |

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

| | | | |
|------------------------------|----|-------|-----------|
| Social Security | \$ | 2,758 | |
| State Retirement | | 3,475 | |
| Employer Medicare | | 645 | |
| Travel | | 315 | |
| Other Contracted Services | | 1,195 | |
| Drugs and Medical Supplies | | 1,901 | |
| In Service/Staff Development | | 50 | |
| Total Health Services | | | \$ 54,818 |

Other Student Support

| | | | |
|------------------------------------|----|--------|---------|
| Career Ladder Program | \$ | 3,000 | |
| Guidance Personnel | | 90,654 | |
| Career Ladder Extended Contracts | | 1,500 | |
| Salary Supplements | | 1,400 | |
| Other Salaries and Wages | | 31,605 | |
| Social Security | | 8,340 | |
| State Retirement | | 7,171 | |
| Medical Insurance | | 3,695 | |
| Employer Medicare | | 1,951 | |
| Contracts with Government Agencies | | 37,592 | |
| Travel | | 1,493 | |
| Other Contracted Services | | 205 | |
| Other Supplies and Materials | | 7,361 | |
| Other Charges | | 29 | |
| Total Other Student Support | | | 195,996 |

Regular Instruction Program

| | | | |
|----------------------------------|----|---------|--|
| Supervisor/Director | \$ | 46,277 | |
| Career Ladder Program | | 4,500 | |
| Career Ladder Extended Contracts | | 11,645 | |
| Librarians | | 135,328 | |
| Instructional Computer Personnel | | 87,624 | |
| Salary Supplements | | 4,900 | |
| Social Security | | 16,596 | |
| State Retirement | | 18,258 | |
| Medical Insurance | | 26,940 | |
| Employer Medicare | | 3,881 | |
| Travel | | 4,105 | |
| Other Contracted Services | | 1,529 | |

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

| | | | |
|-----------------------------------|----|-------|------------|
| Library Books/Media | \$ | 5,767 | |
| Other Charges | | 1,330 | |
| Total Regular Instruction Program | | | \$ 368,680 |

Special Education Program

| | | | |
|---------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 57,560 | |
| Psychological Personnel | | 32,938 | |
| Salary Supplements | | 1,400 | |
| Clerical Personnel | | 9,323 | |
| Social Security | | 6,178 | |
| State Retirement | | 6,378 | |
| Medical Insurance | | 9,600 | |
| Employer Medicare | | 1,445 | |
| Travel | | 674 | |
| Total Special Education Program | | | 125,496 |

Vocational Education Program

| | | | |
|------------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 23,008 | |
| Employer Medicare | | 79 | |
| Consultants | | 1,300 | |
| In Service/Staff Development | | 17,200 | |
| Total Vocational Education Program | | | 41,587 |

Adult Programs

| | | | |
|------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 18,000 | |
| Clerical Personnel | | 12,685 | |
| Social Security | | 2,046 | |
| State Retirement | | 2,392 | |
| Employer Medicare | | 479 | |
| Travel | | 826 | |
| In Service/Staff Development | | 504 | |
| Other Charges | | 926 | |
| Total Adult Programs | | | 37,858 |

Board of Education

| | | | |
|----------------------------------|----|-------|--|
| Secretary to Board | \$ | 1,740 | |
| Other Salaries and Wages | | 1,500 | |
| Board and Committee Members Fees | | 6,750 | |
| Social Security | | 619 | |

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

| | | | |
|--|----|--------|------------|
| State Retirement | \$ | 199 | |
| Unemployment Compensation | | 2,120 | |
| Employer Medicare | | 145 | |
| Advertising | | 1,380 | |
| Dues and Memberships | | 2,086 | |
| Legal Services | | 3,726 | |
| Postal Charges | | 80 | |
| Rentals | | 13 | |
| Travel | | 133 | |
| Other Contracted Services | | 3,727 | |
| Office Supplies | | 1,622 | |
| Other Supplies and Materials | | 24 | |
| Trustee's Commission | | 35,743 | |
| Workers' Compensation Insurance | | 36,811 | |
| Fines, Assessments, and Penalties | | 14,561 | |
| Refund to Applicant for Criminal Investigation | | 1,169 | |
| Other Charges | | 1,902 | |
| Total Board of Education | | | \$ 116,050 |

Director of Schools

| | | | |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 87,572 | |
| Career Ladder Program | | 1,000 | |
| Salary Supplements | | 700 | |
| Secretary(ies) | | 4,604 | |
| Social Security | | 5,751 | |
| State Retirement | | 5,550 | |
| Medical Insurance | | 3,411 | |
| Employer Medicare | | 1,345 | |
| Communication | | 17,842 | |
| Travel | | 1,988 | |
| Other Contracted Services | | 3,981 | |
| Office Supplies | | 2,682 | |
| Other Charges | | 6,280 | |
| Total Director of Schools | | | 142,706 |

Office of the Principal

| | | | |
|-------------------------|----|---------|--|
| Principals | \$ | 186,851 | |
| Career Ladder Program | | 2,500 | |
| Accountants/Bookkeepers | | 52,856 | |

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

| | | | |
|-------------------------------|----|---------|------------|
| Assistant Principals | \$ | 132,695 | |
| Salary Supplements | | 8,400 | |
| Secretary(ies) | | 53,891 | |
| Social Security | | 25,781 | |
| State Retirement | | 28,195 | |
| Medical Insurance | | 17,355 | |
| Employer Medicare | | 6,030 | |
| Office Supplies | | 815 | |
| Other Charges | | 284 | |
| Total Office of the Principal | | | \$ 515,653 |

Fiscal Services

| | | | |
|---------------------------|----|--------|--------|
| Accountants/Bookkeepers | \$ | 62,912 | |
| Salary Supplements | | 1,400 | |
| Other Salaries and Wages | | 2,740 | |
| Social Security | | 4,067 | |
| State Retirement | | 5,114 | |
| Employer Medicare | | 951 | |
| Travel | | 495 | |
| Other Contracted Services | | 12,432 | |
| Office Supplies | | 2,503 | |
| Other Charges | | 412 | |
| Administration Equipment | | 2,246 | |
| Total Fiscal Services | | | 95,272 |

Operation of Plant

| | | | |
|---------------------------------|----|---------|--|
| Salary Supplements | \$ | 4,900 | |
| Custodial Personnel | | 120,773 | |
| Social Security | | 7,431 | |
| State Retirement | | 6,306 | |
| Employer Medicare | | 1,738 | |
| Rentals | | 6,930 | |
| Other Contracted Services | | 3,650 | |
| Custodial Supplies | | 29,809 | |
| Electricity | | 220,967 | |
| Natural Gas | | 69,658 | |
| Water and Sewer | | 21,788 | |
| Other Supplies and Materials | | 297 | |
| Building and Contents Insurance | | 89,485 | |

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

| | | |
|--------------------------|----------|------------|
| Other Charges | \$ 3,267 | |
| Total Operation of Plant | | \$ 586,999 |

Maintenance of Plant

| | | |
|---|-----------|---------|
| Supervisor/Director | \$ 37,251 | |
| Salary Supplements | 1,400 | |
| Social Security | 2,407 | |
| State Retirement | 3,160 | |
| Employer Medicare | 563 | |
| Maintenance and Repair Services - Buildings | 61,924 | |
| Other Contracted Services | 79,025 | |
| Other Supplies and Materials | 11,571 | |
| Other Charges | 367 | |
| Maintenance Equipment | 580 | |
| Total Maintenance of Plant | | 198,248 |

Transportation

| | | |
|--|----------|---------|
| Salary Supplements | \$ 6,300 | |
| Mechanic(s) | 25,500 | |
| Bus Drivers | 171,740 | |
| Other Salaries and Wages | 6,060 | |
| Social Security | 12,665 | |
| State Retirement | 14,132 | |
| Medical Insurance | 3,740 | |
| Employer Medicare | 2,962 | |
| Maintenance and Repair Services - Vehicles | 1,926 | |
| Other Contracted Services | 625 | |
| Diesel Fuel | 51,662 | |
| Lubricants | 2,336 | |
| Tires and Tubes | 11,244 | |
| Vehicle Parts | 8,513 | |
| In Service/Staff Development | 15 | |
| Other Charges | 2,079 | |
| Transportation Equipment | 63,597 | |
| Total Transportation | | 385,096 |

Operation of Non-Instructional Services

Food Service

| | | |
|---------------------|----------|--|
| Supervisor/Director | \$ 2,304 | |
|---------------------|----------|--|

(Continued)

Exhibit E-3

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

| | | | |
|------------------------------|----|---------|------------|
| Salary Supplements | \$ | 700 | |
| Social Security | | 142 | |
| State Retirement | | 141 | |
| Employer Medicare | | 33 | |
| Payments to Schools - Lunch | | 238,005 | |
| Travel | | 115 | |
| Other Contracted Services | | 3,100 | |
| Utilities | | 3,000 | |
| In Service/Staff Development | | 100 | |
| Other Charges | | 209 | |
| Food Service Equipment | | 256 | |
| Total Food Service | | | \$ 248,105 |

Capital Outlay

Regular Capital Outlay

| | | | |
|------------------------------|----|--------|--------|
| Other Contracted Services | \$ | 400 | |
| Furniture and Fixtures | | 1,661 | |
| Other Capital Outlay | | 18,658 | |
| Total Regular Capital Outlay | | | 20,719 |

Other Debt Service

Education

| | | | |
|---|----|---------|---------|
| Debt Service Contribution to Primary Government | \$ | 245,000 | |
| Total Education | | | 245,000 |

Total General Purpose School Fund \$ 8,532,510

School Federal Projects Fund

Instruction

Regular Instruction Program

| | | | |
|--------------------------------------|----|---------|------------|
| Teachers | \$ | 138,417 | |
| Social Security | | 8,187 | |
| State Retirement | | 8,140 | |
| Medical Insurance | | 14,791 | |
| Employer Medicare | | 1,910 | |
| Tuition | | 1,415 | |
| Instructional Supplies and Materials | | 13,292 | |
| Regular Instruction Equipment | | 2,052 | |
| Total Regular Instruction Program | | | \$ 188,204 |

(Continued)

Exhibit E-3

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

| | | | |
|--------------------------------------|----|---------|------------|
| Teachers | \$ | 6,500 | |
| Educational Assistants | | 117,268 | |
| Other Salaries and Wages | | 1,650 | |
| Social Security | | 7,510 | |
| State Retirement | | 10,128 | |
| Employer Medicare | | 1,757 | |
| Contracts with Private Agencies | | 41,851 | |
| Other Contracted Services | | 1,061 | |
| Instructional Supplies and Materials | | 3,012 | |
| Textbooks | | 1,335 | |
| Other Supplies and Materials | | 18,073 | |
| Other Charges | | 5,669 | |
| Total Special Education Program | | | \$ 215,814 |

Vocational Education Program

| | | | |
|--------------------------------------|----|-------|--------|
| Other Contracted Services | \$ | 2,000 | |
| Instructional Supplies and Materials | | 8,698 | |
| Vocational Instruction Equipment | | 3,645 | |
| Total Vocational Education Program | | | 14,343 |

Support Services

Other Student Support

| | | | |
|------------------------------|----|-------|-------|
| Travel | \$ | 2,796 | |
| In Service/Staff Development | | 149 | |
| Other Charges | | 1,396 | |
| Total Other Student Support | | | 4,341 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 60,932 | |
| Social Security | | 3,516 | |
| State Retirement | | 3,708 | |
| Medical Insurance | | 6,861 | |
| Employer Medicare | | 822 | |
| Travel | | 56 | |
| Other Supplies and Materials | | 42 | |
| In Service/Staff Development | | 16,244 | |
| Total Regular Instruction Program | | | 92,181 |

(Continued)

Exhibit E-3

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

| | | | |
|--------------------------------------|----|--------|-----------|
| Supervisor/Director | \$ | 3,936 | |
| Psychological Personnel | | 20,164 | |
| Other Salaries and Wages | | 1,050 | |
| Social Security | | 1,719 | |
| State Retirement | | 1,545 | |
| Employer Medicare | | 402 | |
| Other Contracted Services | | 176 | |
| Instructional Supplies and Materials | | 154 | |
| Other Supplies and Materials | | 6,939 | |
| In Service/Staff Development | | 359 | |
| Total Special Education Program | | | \$ 36,444 |

Vocational Education Program

| | | | |
|------------------------------------|----|-----|-----|
| Travel | \$ | 230 | |
| Total Vocational Education Program | | | 230 |

Transportation

| | | | |
|--------------------------|----|-------|--------|
| Other Salaries and Wages | \$ | 3,345 | |
| Social Security | | 156 | |
| State Retirement | | 19 | |
| Employer Medicare | | 37 | |
| Contracts with Parents | | 5,931 | |
| Gasoline | | 2,952 | |
| Vehicle Parts | | 457 | |
| Total Transportation | | | 12,897 |

Total School Federal Projects Fund \$ 564,454

Total Governmental Funds - Hartsville/ Trousdale County School Department \$ 9,096,964

SINGLE AUDIT REPORT
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE
AND
HARTSVILLE/TROUSDALE COUNTY GOVERNMENT
SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

TIM BRASHEARS
RODNEY MALIN, CGFM
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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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

March 20, 2008

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

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

We have audited the financial statements of each major fund, except for the Hartsville/Trousdale County Government Water and Sewer Fund (major proprietary fund), and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department, as of and for the year ended June 30, 2007, which collectively comprise a portion of Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's basic financial statements and have issued our reports thereon dated March 20, 2008. Our reports on the financial statements of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's internal control over financial reporting 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 Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department'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: 07.03, 07.05, 07.06, 07.07, 07.08, 07.09, 07.10, and 07.12.

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 Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department'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 material weaknesses. However, of the significant deficiencies described above, we consider item 07.05(A,B) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.04, and 07.13.

We consider item 07.11 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 the management of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department in separate communications.

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

This report is intended solely for the information and use of management, the county executive, highway superintendent, director of schools, County Commission, Highway Commission, Water and Sewerage Board, Board of Education, others within Hartsville/Trousdale County Government and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

March 20, 2008

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

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

Compliance

We have audited the compliance of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's management. Our responsibility is to express an opinion on Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department's compliance with those requirements.

In our opinion, Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07.05(A) and 07.14 to be significant deficiencies.

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. However, of the significant deficiencies described above, we consider items 07.05(A) and 07.14 to be material weaknesses.

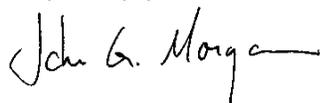
Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund, except for the Hartsville/Trousdale County Government Water and Sewer Fund (major proprietary fund), and the aggregate remaining fund information of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated March 20, 2008. Our reports on the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hartsville/Trousdale County Government's and the Hartsville/Trousdale County Government School Department'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.

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

This report is intended solely for the information and use of management, the county executive, highway superintendent, director of schools, County Commission, Highway Commission, Water and Sewerage Board, Board of Education, others within Hartsville/Trousdale County Government and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb

Hartsville/Trousdale County Government, Tennessee, and the
Hartsville/Trousdale County Government School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Expenditures |
|---|---------------------------|--|-------------------|
| U.S. Department of Agriculture: | | | |
| Passed-through State Department of Agriculture: | | | |
| Food Donation (Noncash Assistance) | 10.550 | N/A | \$ 41,522 |
| Passed-through State Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | N/A | 40,472 |
| National School Lunch Program | 10.555 | N/A | 197,533 |
| Total U.S. Department of Agriculture | | | <u>\$ 279,527</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Passed-through State Department of Economic and Community Development: | | | |
| Community Development Block Grants/State's Program | 14.228 | (3) | \$ 534,704 |
| Passed-through State Housing Development Agency: | | | |
| HOME Investment Partnerships Program | 14.239 | HM-05-23 | 462,917 |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 997,621</u> |
| U.S. Department of Transportation: | | | |
| Passed-through State Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | STP-EN-8500(15) | \$ 140,165 |
| Total U.S. Department of Transportation | | | <u>\$ 140,165</u> |
| U.S. Department of Education: | | | |
| Passed-through State Department of Education: | | | |
| Title I Grants to Local Education Agencies | 84.010 | N/A | \$ 215,406 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | N/A | 257,634 |
| Special Education - Preschool Grants | 84.173 | N/A | 7,521 |
| Vocational Education - Basic Grants to States | 84.048 | N/A | 17,518 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | (2) | 6,049 |
| State Grants for Innovative Programs | 84.298 | N/A | 6,452 |
| Education Technology State Grants | 84.318 | (2) | 2,052 |
| Improving Teacher Quality State Grants | 84.367 | N/A | 51,822 |
| Passed-through State Department of Labor and Workforce Development: | | | |
| Adult Education - State Grant Program | 84.002 | (4) | 106,790 |
| Total U.S. Department of Education | | | <u>\$ 671,244</u> |
| U.S. Elections Assistance Commission: | | | |
| Passed-through Tennessee Office of Secretary of State: | | | |
| Help America Vote Act Requirements Payments | 90.401 | (5) | \$ 102,545 |
| Total U.S. Department of Transportation | | | <u>\$ 102,545</u> |

(Continued)

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

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Expenditures |
|---|---------------------------|--|---------------------|
| U.S. Department of Health and Human Services: | | | |
| Passed-through the Greater Nashville Regional Council: | | | |
| Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers | 93.044 | (2) | \$ 13,397 |
| Passed-through State Department of Education: | | | |
| Preventive Health and Health Services Block Grant | 93.991 | GG-06-12766-00 | 111,947 |
| Total U.S. Department of Health and Human Services | | | <u>\$ 125,344</u> |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of the Military: | | | |
| Homeland Security Grant Program | 97.067 | Z-05-025214-00 | \$ 5,253 |
| Total U.S. Department of Homeland Security | | | <u>\$ 5,253</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,321,699</u> |
| <u>State Grants</u> | | | |
| | | <u>Contract Number</u> | |
| Adult Basic Education - State Department of Education | N/A | (6) | \$ 33,582 |
| Juvenile Services Program - State Commission on Children and Youth | N/A | Z-07-036587-00 | 9,000 |
| Forestry Grant - State Department of Agriculture | N/A | (2) | 1,054 |
| State Reappraisal Grant - Comptroller of the Treasury | N/A | (2) | 2,766 |
| Model Dropout Prevention Program Grant - State Department of Education | N/A | (2) | 6,000 |
| High Visibility Law Enforcement Programs - State Department of Transportation | N/A | Z-07-036010-00 | 5,000 |
| Litter Program - State Department of Transportation | N/A | (2) | 28,127 |
| Law Enforcement Training - State Department of Public Safety | N/A | (2) | 9,000 |
| Aging Programs - Upper Cumberland Development District | N/A | (2) | 9,701 |
| Waste Tire Grant - State Department of Environment and Conservation | N/A | Z-03-011291-00 | 5,641 |
| Total State Grants | | | <u>\$ 109,871</u> |

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) GG-04-10982-00: \$164,133; GG-06-12354-00: \$370,571.
- (4) Z-07-033741-00: \$76,946; Z-06-027826-00: \$23,384; Z-05-022273-00: \$6,460.
- (5) Z-06-033000-00: \$99,100; Z-07-037444-00: \$3,445.
- (6) Z-07-033741-00: \$25,649; Z-06-027826-00: \$6,216; Z-05-022273-00: \$1,717.

Hartsville/Trousdale County Government, Tennessee, and the
Hartsville/Trousdale County Government School Department
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 of Hartsville/Trousdale County Government, Tennessee, and the Hartsville/Trousdale County Government School Department for the year ended June 30, 2006, which have not been corrected.

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

| Finding Number | Page Number | Subject |
|----------------|-------------|---|
| 06.01 | 12 | Government-wide financial statements were not presented in accordance with generally accepted accounting principles |

OFFICE OF COUNTY EXECUTIVE

| Finding Number | Page Number | Subject |
|----------------|-------------|---|
| 06.03(A,C) | 14 | Purchase orders were not properly issued, and invoices were paid without documentation that goods had been received or services had been rendered |
| 06.06 | 15 | Deficiencies were noted in the Office of Building Inspector |
| 06.07(C, 2,3) | 17 | Water/Sewer Department – Capital assets records were deficient |
| 06.07(F) | 18 | Water/Sewer Department – Duties were not segregated adequately |

OFFICE OF HIGHWAY SUPERINTENDENT

| Finding Number | Page Number | Subject |
|----------------|-------------|--|
| 06.08 | 19 | The office did not use purchase orders |

OFFICE OF DIRECTOR OF SCHOOLS

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|--|
| 06.13 | 23 | The office had purchasing deficiencies |
| 06.14 | 23 | The office did not properly maintain its inventory records |

OTHER FINDINGS

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|--|
| 06.15 | 24 | A central system of accounting, budgeting, and purchasing had not been adopted |
| 06.16 | 25 | Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff |

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department.
2. The audit of the financial statements of Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department disclosed significant deficiencies in internal control. One of these conditions was considered to be a material weakness in the Hartsville/Trousdale County Government. None of these deficiencies were considered to be a material weakness in the Hartsville/Trousdale County Government School Department.
3. The audit disclosed three instances of noncompliance that were material to the financial statements of Hartsville/Trousdale County Government, and three instances of noncompliance that were material to the financial statements of the Hartsville/Trousdale County Government School Department.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Community Development Block Grants/State's Program (CFDA No. 14.228), HOME Investment Partnership Program (CFDA No. 14.239), and Title I Grants to Local Education Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses of the county executive, superintendent of the Water and Sewer Department, and the director of schools are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

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

**FINDING 07.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT
PRESENTED IN ACCORDANCE WITH GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES****
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. Hartsville/Trousdale County Government’s and the Hartsville/Trousdale County Government School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. Hartsville/Trousdale County is in the process of implementing the provisions of GASB Statement No. 34. The County Commission has adopted a capitalization policy that included defining terms, inventory methods, threshold amounts for recording capital assets and infrastructure, determination of useful lives and depreciation methods for various classes of assets and infrastructure. We are in the process of identifying and valuing our capital assets and have completed approximately 90 percent.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur. The Board of Education is in the process of implementing the provisions of GASB Statement No. 34. The Board of Education will adopt a capitalization policy that will include defining terms, inventory methods, threshold amounts for recording capital assets and infrastructure, determination of useful lives and depreciation methods for various classes of assets and infrastructure. We are in the process of identifying and valuing our capital assets. We have established useful lives, salvage values, and depreciation schedules for these capital assets.

FINDING 07.02 **HARTSVILLE/TROUSDALE COUNTY GOVERNMENT AND THE HARTSVILLE/TROUSDALE COUNTY GOVERNMENT SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**

(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department filed with the Comptroller's Office shows that the county and the School Department failed to perform the steps in accordance with the timeline set forth in their plan. If Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

RECOMMENDATION

Hartsville/Trousdale County Government and the Hartsville/Trousdale County Government School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We concur. As noted in my response to finding 07.01, Hartsville/Trousdale County Government is in the process of implementing the provisions of GASB Statement No. 34. Like several other counties in Tennessee, Hartsville/Trousdale County has never maintained cost records or detailed ownership records of its capital assets. The amount of effort it has taken to identify and value our capital assets was underestimated at the time we completed our work plan for implementation of the provisions of GASB Statement No. 34. We are confident that we will finish the steps to compliance by the deadline of June 30, 2008.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur. As noted in my response to finding 07.01, the Board of Education is in the process of implementing the provisions of GASB Statement No. 34. We are confident that we will finish the steps to compliance by the deadline of June 30, 2008.

OFFICE OF COUNTY EXECUTIVE

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

Our examination of purchasing procedures revealed the following deficiencies:

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

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur with the finding. We plan to send a memorandum to all department heads to instill the importance of obtaining purchase orders and signing all packing slips and submitting them to our office.

FINDING 07.04 **DEFICIENCIES WERE NOTED IN THE OFFICE OF BUILDING INSPECTOR**
(Noncompliance Under Government Auditing Standards)

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

- A. Prenumbered receipts were not issued for some cash collected in the office. Sections 9-2-103 through 9-2-104, Tennessee Code Annotated (TCA), require officials receiving public funds to issue official prenumbered receipts for all collections.

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We will instruct our building inspector to send all building permit applicants with proper fees to the Trustee's Office to make payment.

FINDING 07.05 **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE COUNTY WATER AND SEWER DEPARTMENT**
(A. – Internal Control – Material Weakness Under Government Auditing Standards and OMB Circular A-133; B. – Internal Control – Material Weakness Under Government Auditing Standards; C. – Internal Control – Significant Deficiency Under Government Auditing Standards)

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

A. Capital Assets Records Were Deficient

The department reported capital assets and the accompanying accumulated depreciation accounts at June 30, 2007. These capital assets comprise a majority of the department's total assets. However, we could not determine if these records were free of material misstatement because the department failed to adequately identify and document their capital assets as noted below:

1. The department reflected a capital assets balance of \$14,912,738 in their financial statements at June 30, 2007; however, the department did not maintain adequate records to support this balance. The department provided us with a capital assets listing that totaled \$14,173,268, a difference of \$739,470 from the amount reflected on their financial statements. Department officials were unable to reconcile the difference.
2. The capital assets listing provided by the department did not adequately identify the department's individual assets. Items were described in general terms such as trucks, computers, or plant instead of having individual identifying asset numbers with detailed descriptions that would allow for physical inspections and the verification of specific individual assets.
3. The Water Department did not capitalize all of the costs of capital outlays that qualified as capital assets under the county's capitalization policy. These outlays are presented as expenditures in the financial statements of this report.

B. Material Liabilities Were Not Determined and Recorded

Material liabilities were not determined and recorded on the department's accounting records at June 30, 2007, as required by generally accepted accounting principles. We performed additional audit procedures to properly determine these liabilities at June 30, 2007. Audit adjustments for these liabilities (\$139,523) were presented to management for their consideration and posting to the financial records. As a result of these adjustments, liabilities are properly presented in the financial statements of this report.

C. Duties Were Not Segregated Adequately

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

RECOMMENDATION

Hartsville/Trousdale County Government officials should do the following:

- A. Officials should compile and maintain records that properly account for their capital assets. These records should properly identify the capital assets owned by the department, their historical costs, and the related depreciation amounts. Expenditures that qualify as capital assets under the county's capitalization policy should be capitalized. This information is necessary to present the department's financial statements in accordance with generally accepted accounting principles.
- B. Liabilities should be properly determined and recorded on the accounting records each June 30.
- C. To strengthen internal controls over operations, this office should adequately segregate duties among employees.

MANAGEMENTS' RESPONSES – COUNTY EXECUTIVE AND SUPERINTENDENT OF THE WATER AND SEWER DEPARTMENT

- A. The Water Department's capital assets and the accompanying depreciation amounts are based on capital additions made on a fiscal year basis. We are in the process of identifying these account balances to particular capital assets, such as waterlines, sewer lines, and other capital assets. We hope to have this process done by June 30, 2008.
- B. Material liabilities will be posted correctly in the future.
- C. The Water Department has limited office personnel which limits segregation of duties. However, office personnel have been cross-trained. This allows all office personnel to be able to perform most office operational duties.

OFFICE OF HIGHWAY SUPERINTENDENT

**FINDING 07.06 A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

The office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the Highway Department and to document purchasing commitments.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.07 **THE SCHOOL FEDERAL PROJECTS FUND HAD A DEFICIT AND A CASH OVERDRAFT**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The School Federal Projects Fund had a deficit in unreserved fund balance of \$10,662 and a cash overdraft of \$64,792 at June 30, 2007. These deficiencies resulted from expenditures exceeding available funding and from the issuance of warrants in excess of cash on deposit with the county trustee. Subsequent to June 30, 2007, the fund deficit and cash overdraft were liquidated.

RECOMMENDATION

School Department officials should take steps to ensure that the fund deficit does not recur and should not issue warrants exceeding cash on deposit with the county trustee.

FINDING 07.08 **CASH WITH TRUSTEE ACCOUNTS WERE NOT PROPERLY RECONCILED WITH THE COUNTY TRUSTEE’S REPORTS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

School Department personnel prepared reconciliations of the Cash With Trustee accounts on their funds’ general ledgers with the county trustee’s reports monthly; however, these reconciliations included numerous unidentified reconciling items in the General Purpose School Fund (\$972) and the School Federal Projects Fund (\$4,833). The failure to accurately reconcile the general ledgers’ Cash With Trustee accounts with the county trustee’s monthly reports is an internal control weakness that could result in posting errors not being discovered and corrected in a timely manner.

RECOMMENDATION

The office should accurately reconcile the general ledgers’ Cash With Trustee accounts with the county trustee’s reports monthly, and any errors discovered should be corrected promptly.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur. The general ledgers were reconciled with Cash With Trustee accounts on a monthly basis. Differences between the ledgers and the trustee's cash balance were determined and noted. These differences were not adjusted on the fund records but were used as reconciling factors. Any differences in the future will be adjusted promptly.

REBUTTAL

Any errors noted during the reconciliation process must be identified before adjustments are made.

FINDING 07.09 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur.

FINDING 07.10 THE OFFICE DID NOT PROPERLY MAINTAIN ITS INVENTORY RECORDS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We concur.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.11 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The adoption of this type of system will have to be implemented by the Hartsville/Trousdale County legislative body.

FINDING 07.12 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

We concur.

FINDING 07.13 SCHOOL DEPARTMENT EMPLOYEE BONUSES PAID BY THE GENERAL FUND ARE OF QUESTIONABLE LEGALITY
(Material Noncompliance Under Government Auditing Standards)

During the year, the county expended \$40,000 from the General Fund to pay noncertified School Department employees a one-time \$500 bonus. Opinion No. 92-03 issued by the Tennessee Attorney General’s Office states “...a county legislative body cannot lawfully divert revenues collected for general county purposes, or other non-education purposes, and apply those moneys to education purposes.” Therefore, we question the legality of using General Fund monies to pay bonuses for the School Department.

RECOMMENDATION

School Department expenses should be appropriated and paid from school funds. General Fund monies should not be used to pay education expenses.

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

| Federal/Pass-through Agencies | Finding Number | Federal CFDA Number | Criteria | Explanation | Amount Questioned |
|---|-------------------|---------------------------|---------------------------------------|---|----------------------|
| U.S. Department of Housing and Urban Development: Passed-through State Department of Economic and Community Development: Community Development Block Grants/ State's Program | 07.14 | 14.228 | Circular A-133, Section 500 (c)(3) | Material Weakness in Internal Control (See Finding 07.05(A)) - Capital assets records were deficient. | \$ 0 |

**HARTSVILLE/TROUSDALE COUNTY GOVERNMENT, TENNESSEE, AND THE
HARTSVILLE/TROUSDALE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

There were audit findings relative to federal awards presented in the current and prior years' Schedules of Findings and Questioned Costs.

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

FINDINGS 07.05(A) and 07.14

Contact Person: Jerry Clift

Corrective Action Planned: The water department's capital assets and the accompanying depreciation accounts are based on capital additions made on a fiscal year basis. We are in the process of identifying these account balances to particular capital assets, such as waterlines, sewer lines and other capital assets.

Anticipated completion date: June 30, 2008

Office of County Executive – Summary Schedule of Prior Year's Findings

FINDINGS 06.07(C) and 06.17

These findings were not corrected and are presented as current year findings above.

FINDINGS 06.07(F) and 06.17

Although the Water and Sewer Department as a whole lacks segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.

Office of Director of Schools – Summary Schedule of Prior Year's Findings

FINDINGS 06.11 and 06.18

General ledger payroll liability accounts were reconciled with payroll reports and payments.

FINDINGS 06.16 and 06.19

Although the School Department as a whole lacks segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.