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# ANNUAL FINANCIAL REPORT HANCOCK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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**ANNUAL FINANCIAL REPORT**  
**HANCOCK COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

***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***

***BRYAN BURKLIN, CPA, CGFM***  
***Audit Manager***

***MARK TREECE, CPA, CGFM***  
***Auditor 4***

***PHILIP TOBY, CGFM***  
***MEGAN ANDERSON***  
***GREG BRUSH***  
***State Auditors***

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

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***Audit Highlights***  
Annual Financial Report  
Hancock County, Tennessee  
For the Year Ended June 30, 2008

***Scope***

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2008.

***Results***

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

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

***Findings***

The following are summaries of the audit findings:

**HANCOCK COUNTY AND HANCOCK COUNTY SCHOOL DEPARTMENT**

- ◆ Hancock County and the Hancock County School Department do not have the resources to produce their financial statements and notes to the financial statements.

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**OFFICE OF COUNTY MAYOR**

- ◆ The General Debt Service Fund required material audit adjustments for proper financial statement presentation.
  - ◆ Ambulance Service operations were not reconciled with a contracted billing agency.
  - ◆ The office had deficiencies in purchasing procedures.
  - ◆ General Fund expenditures exceeded appropriations in the jail major appropriation category.
-

## **OFFICE OF ROAD SUPERINTENDENT**

- ◆ A material audit adjustment was required for proper financial statement presentation.
- 

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

- ◆ Execution docket trial balances did not reconcile with cash journal accounts.
- 

## **OFFICE OF ASSESSOR OF PROPERTY**

- ◆ The State Division of Property Assessments noted deficiencies in the maintenance of various records by the assessor of property.
- 

## **OTHER FINDINGS**

- ◆ A central system of accounting, budgeting, and purchasing was not adopted.
- ◆ Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Home Health.

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## INTRODUCTORY SECTION

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Hancock County Officials  
June 30, 2008

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**Officials**

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

**Board of County Commissioners**

John Goodman, Chairman  
Charles Dunsmore  
Hillery Gibson  
Willis Gibson, Jr.  
Ed Gulliver  
Lewis Hopkins, Jr.  
Bobby Johnson, Jr.  
Lee Johnson, Jr.

Kenny Lamb  
Claude Lemarr  
Junior Martin  
Phillip Nichols  
Rufus Presley  
Gary Seal  
Randy White

**Board of Education**

David Jones, Chairman  
Denny Douglas  
Dennis Holt  
Hugh Livesay

Freddie Mullins  
Carl Reed  
Jeff Stapleton

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

September 15, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hancock County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hancock County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of not including the financial statements of the Hancock County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Hancock County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2008, on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Hancock County has adopted Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

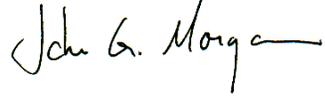
The management of Hancock County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison and pension information on pages 67 through 73 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Hancock County, Tennessee  
Statement of Net Assets  
June 30, 2008

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Hancock County School Department</u>
<u>ASSETS</u>		
Cash	\$ 2,993	\$ 4,367
Equity in Pooled Cash and Investments	3,975,437	2,644,950
Accounts Receivable	841,783	239
Allowance for Uncollectibles	(143,277)	0
Due from Other Governments	551,748	257,493
Property Taxes Receivable	1,697,530	666,515
Allowance for Uncollectible Property Taxes	(62,204)	(24,424)
Prepaid Items	30,000	0
Deferred Charges - Debt Issuance Cost	37,300	0
Capital Lease Receivable	5,849,723	0
Capital Assets:		
Assets Not Depreciated:		
Land	370,174	453,150
Construction in Progress	0	105,688
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,872,548	12,287,378
Machinery and Equipment	373,794	681,880
Infrastructure	15,863,845	0
Total Assets	<u>\$ 31,261,394</u>	<u>\$ 17,077,236</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 132,708	\$ 58,844
Accrued Payroll	6,701	0
Contracts Payable	64,677	9,439
Accrued Interest Payable	158,809	0
Other Current Liabilities	770	79,324
Deferred Revenue - Current Property Taxes	1,562,919	613,661
Noncurrent Liabilities:		
Due Within One Year	786,482	7,500
Due in More than One Year	17,760,636	30,000
Total Liabilities	<u>\$ 20,473,702</u>	<u>\$ 798,768</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Hancock County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 11,533,656	\$ 0
Invested in Capital Assets	0	13,528,096
Restricted for:		
Solid Waste/Sanitation	81,626	0
Public Health and Welfare	1,053,847	0
Highways/Public Works	708,557	0
Debt Service	7,127,641	0
Capital Projects	961,724	0
State and Federal Financial Assistance Programs	0	571,468
Other Purposes	23,846	0
Unrestricted	<u>(10,703,205)</u>	<u>2,178,904</u>
Total Net Assets	<u>\$ 10,787,692</u>	<u>\$ 16,278,468</u>

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

Exhibit B

Hancock County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Primary Government				Component Unit Hancock County School Department		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		
<u>Primary Government:</u>							
Governmental Activities:							
General Government	\$ 446,952	\$ 29,975	\$ 28,618	\$ 0	\$ (388,359)	\$ 0	0
Finance	349,352	155,220	3,535	0	(190,597)	0	0
Administration of Justice	265,019	116,261	6,750	0	(142,008)	0	0
Public Safety	1,494,029	1,183,949	130,922	18,323	(160,835)	0	0
Public Health and Welfare	2,840,210	3,041,036	79,101	403,669	683,596	0	0
Social, Cultural, and Recreational Services	68,312	0	3,000	0	(65,312)	0	0
Agriculture and Natural Resources	52,796	0	0	0	(52,796)	0	0
Other Operations	289,218	0	131,627	0	(157,591)	0	0
Highways	1,820,767	27,383	1,318,937	0	(474,447)	0	0
Interest on Long-term Debt	709,901	0	0	0	(709,901)	0	0
Debt Service	71,599	0	0	0	(71,599)	0	0
<b>Total Primary Government</b>	<b>\$ 8,408,155</b>	<b>\$ 4,553,824</b>	<b>\$ 1,702,490</b>	<b>\$ 421,992</b>	<b>\$ (1,729,849)</b>	<b>\$ 0</b>	<b>0</b>
<u>Component Unit:</u>							
Hancock County School Department	\$ 10,014,913	\$ 111,219	\$ 1,973,638	\$ 0	\$ 0	\$ (7,930,056)	
<b>Total Component Unit</b>	<b>\$ 10,014,913</b>	<b>\$ 111,219</b>	<b>\$ 1,973,638</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (7,930,056)</b>	

(Continued)

Exhibit B

Hancock County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Hancock County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 1,503,977	\$	595,974
Property Taxes Levied for Debt Service				718		0
Local Option Sales Taxes				50,453		207,984
Wheel Tax				56,570		56,570
Litigation Tax - General				11,422		0
Litigation Tax - Jail, Workhouse, or Courthouse				7,020		0
Business Tax				16,900		0
Mineral Severance Tax				10,192		0
Wholesale Beer Tax				6,769		3,283
Interstate Telecommunications Tax				694		867
Grants and Contributions Not Restricted to Specific Programs				1,241,088		6,539,253
Unrestricted Investment Income				236,323		4,594
Miscellaneous				12,567		43,893
Gain on Sale of Capital Assets				0		1,763
Total General Revenues				\$ 3,154,693	\$	7,454,181
Change in Net Assets				\$ 1,424,844	\$	(475,875)
Net Assets, July 1, 2007				9,362,848		16,754,343
Net Assets, June 30, 2008				10,787,692	\$	16,278,468

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

Exhibit C-1

Hancock County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds	
\$	0	0	0	0	2,993	\$ 2,993
Cash	510,826	663,263	495,381	1,285,039	1,020,928	3,975,437
Equity in Pooled Cash and Investments	284,031	401,445	3,341	151,124	1,842	841,783
Accounts Receivable	(124,573)	(18,704)	0	0	0	(143,277)
Allowance for Uncollectibles	258,826	0	213,758	564	78,600	551,748
Due from Other Governments	2,993	0	0	0	0	2,993
Due from Other Funds	1,370,575	0	0	97,841	229,114	1,697,530
Property Taxes Receivable	(51,851)	0	0	(1,957)	(8,396)	(62,204)
Allowance for Uncollectible Property Taxes	0	0	0	0	30,000	30,000
Prepaid Items	0	0	0	5,849,723	0	5,849,723
Capital Leases Receivable	0	0	0	5,849,723	0	5,849,723
Total Assets	\$ 2,250,827	\$ 1,046,004	\$ 712,480	\$ 7,382,334	\$ 1,355,081	\$ 12,746,726

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Accounts Receivable  
Allowance for Uncollectibles  
Due from Other Governments  
Due from Other Funds  
Property Taxes Receivable  
Allowance for Uncollectible Property Taxes  
Prepaid Items  
Capital Leases Receivable

LIABILITIES AND FUND BALANCES

\$	107,498	\$ 426	\$ 0	\$ 0	\$ 24,784	\$ 132,708
Accounts Payable	6,701	0	0	0	0	6,701
Accrued Payroll	0	0	0	0	64,677	64,677
Contracts Payable	0	0	0	0	2,993	2,993
Due to Other Funds	770	0	0	0	0	770
Other Current Liabilities	1,256,089	0	0	95,884	210,946	1,562,919
Deferred Revenue - Current Property Taxes	61,393	0	0	0	9,578	70,971
Deferred Revenue - Delinquent Property Taxes	128,782	183,269	106,879	5,899,911	249	6,319,090
Other Deferred Revenues	\$ 1,561,233	\$ 183,695	\$ 106,879	\$ 5,995,795	\$ 313,227	\$ 8,160,829
Total Liabilities						

Liabilities

Accounts Payable  
Accrued Payroll  
Contracts Payable  
Due to Other Funds  
Other Current Liabilities  
Deferred Revenue - Current Property Taxes  
Deferred Revenue - Delinquent Property Taxes  
Other Deferred Revenues  
Total Liabilities

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds	
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds			
<u>Fund Balances</u>	\$	1,025	\$	0	\$	0	\$	1,025
Reserved for Sexual Offender Registration		8,291		0		0		8,291
Reserved for Computer System - Register		474		0		0		474
Reserved for Automation Purposes - Circuit Court		6,204		0		0		6,204
Reserved for Automation Purposes - General Sessions Court		1,296		0		0		1,296
Reserved for Automation Purposes - Chancery Court		0		0		80,000		80,000
Reserved for Capital Outlay		6,494		0		0		6,494
Other Federal Reserves								
Unreserved, Reported In:								
General Fund		665,810		0		0		665,810
Special Revenue Funds		0		862,309		605,601		1,548,040
Debt Service Funds		0		0		1,386,539		1,386,539
Capital Projects Funds		0		0		0		0
Total Fund Balances	\$	689,594	\$	862,309	\$	605,601	\$	1,386,539
Total Liabilities and Fund Balances	\$	2,250,827	\$	1,046,004	\$	712,480	\$	1,355,081
								\$ 12,746,726

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

Exhibit C-2

Hancock County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,585,897
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	370,174	
Add: buildings and improvements net of accumulated depreciation		1,872,548	
Add: machinery and equipment net of accumulated depreciation		373,794	
Add: infrastructure net of accumulated depreciation		<u>15,863,845</u>	18,480,361
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(197,194)	
Less: other loans payable		(12,716,570)	
Less: bonds payable		(5,517,382)	
Add: deferred charges - debt issuance costs		37,300	
Less: compensated absences payable		(46,888)	
Less: landfill closure/postclosure care costs		(69,084)	
Less: accrued interest on bonds, notes, and capital leases		<u>(158,809)</u>	(18,668,627)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>6,390,061</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>10,787,692</u></u>

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

Hancock County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 1,432,620	\$ 0	\$ 0	\$ 8,022	\$ 206,267	\$ 1,646,909	
Fines, Forfeitures, and Penalties	46,452	0	0	0	0	46,452	
Charges for Current Services	670,688	2,242,852	0	0	9,920	2,923,460	
Other Local Revenues	113,661	50	29,734	236,323	0	379,768	
Fees Received from County Officials	252,671	0	0	0	0	252,671	
State of Tennessee	1,585,553	0	1,318,937	717	6,692	2,911,899	
Federal Government	184,138	0	0	0	403,669	587,807	
Other Governments and Citizens Groups	85,857	0	0	1,335,670	0	1,421,527	
<b>Total Revenues</b>	<b>\$ 4,371,640</b>	<b>\$ 2,242,902</b>	<b>\$ 1,348,671</b>	<b>\$ 1,580,732</b>	<b>\$ 626,548</b>	<b>\$ 10,170,493</b>	
<u>Expenditures</u>							
Current:							
General Government	\$ 480,556	\$ 0	\$ 0	\$ 0	\$ 0	\$ 480,556	
Finance	352,513	3,628	0	0	0	356,141	
Administration of Justice	263,088	0	0	0	285	263,373	
Public Safety	1,400,537	0	0	0	0	1,400,537	
Public Health and Welfare	752,476	1,504,127	0	0	285,168	2,541,771	
Social, Cultural, and Recreational Services	61,587	0	0	0	0	61,587	
Agriculture and Natural Resources	52,796	0	0	0	0	52,796	
Other Operations	266,139	0	0	0	0	266,139	
Highways	0	0	1,248,371	0	0	1,248,371	
Debt Service:							
Principal on Debt	58,839	0	0	668,030	0	726,869	
Interest on Debt	3,451	0	0	713,194	0	716,645	
Other Debt Service	696	0	0	68,703	0	69,399	
Capital Projects	0	0	0	0	414,664	414,664	
<b>Total Expenditures</b>	<b>\$ 3,692,678</b>	<b>\$ 1,507,755</b>	<b>\$ 1,248,371</b>	<b>\$ 1,449,927</b>	<b>\$ 700,117</b>	<b>\$ 8,598,848</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 678,962</b>	<b>\$ 735,147</b>	<b>\$ 100,300</b>	<b>\$ 130,805</b>	<b>\$ (73,569)</b>	<b>\$ 1,571,645</b>	

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 77,227	\$ 0	\$ 0	\$ 0	\$ 80,000	\$ 157,227	
Insurance Recovery	3,299	0	0	0	0	3,299	
Transfers In	0	0	0	0	44,000	44,000	
Transfers Out	(44,000)	0	0	0	0	(44,000)	
Total Other Financing Sources (Uses)	\$ 36,526	\$ 0	\$ 0	\$ 0	\$ 124,000	\$ 160,526	
Net Change in Fund Balances	\$ 715,488	\$ 735,147	\$ 100,300	\$ 130,805	\$ 50,431	\$ 1,732,171	
Fund Balance, July 1, 2007	(25,894)	127,162	505,301	1,255,734	991,423	2,853,726	
Fund Balance, June 30, 2008	\$ 689,594	\$ 862,309	\$ 605,601	\$ 1,386,539	\$ 1,041,854	\$ 4,585,897	

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

Exhibit C-4

Hancock County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit C-3)			\$ 1,732,171
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period		\$ 107,308	
Less: current year depreciation expense		<u>(747,703)</u>	(640,395)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2008		\$ 6,390,061	
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(6,727,555)</u>	(337,494)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt related items:			
Less: note proceeds		\$ (157,227)	
Less: change in deferred debt issuance costs		(2,200)	
Add: principal payments on bonds		273,697	
Add: principal payments on notes		39,966	
Add: principal payments on other loans		376,000	
Add: principal payments on capital leases		<u>37,206</u>	567,442
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable		\$ 6,744	
Change in compensated absences		3,811	
Change in landfill closure/postclosure care costs		<u>92,565</u>	<u>103,120</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,424,844</u>

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

Exhibit D

Hancock County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 400,104
Equity in Pooled Cash and Investments	109,807
Accounts Receivable	4,963
Due from Other Governments	27,386
Prepaid Items	<u>2,378</u>
Total Assets	<u>\$ 544,638</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 515
Due to Other Taxing Units	144,019
Due to Litigants, Heirs, and Others	<u>400,104</u>
Total Liabilities	<u>\$ 544,638</u>

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

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**HANCOCK COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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

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

Administrative Office:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hancock County reports the following major governmental funds:

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

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

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

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

Additionally, Hancock County reports the following fund types:

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

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

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

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

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

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

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

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

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

**1. Deposits and Investments**

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

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

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

## **2. Receivables and Payables**

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

All ambulance, home health, and property taxes receivable are shown with an allowance for uncollectibles. Ambulance and home health receivable allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to two percent of total taxes levied.

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

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

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

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable of the discretely presented School Department totaling \$37,500 are discussed in Note IV.E.

**3. Prepaid Items**

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

**4. Capital Assets**

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

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

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

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

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

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

**5. Compensated Absences**

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

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

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

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

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

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$23,846 with the primary restrictions being for computer systems for various offices (\$16,265) and unexpended federal grant proceeds (\$6,494). For the discretely presented School Department, the account balance in Restricted for State and Federal Assistance Programs consists of various restrictions totaling \$571,468, with the primary restrictions being for: State BEP nonclassroom funds (\$421,127), the special education program (\$8,138), and the school lunch and breakfast programs (\$134,272).

As of June 30, 2008, Hancock County had \$11,451,847 in outstanding debt for capital purposes for the discretely presented Hancock County School Department. This debt is a liability of Hancock County, but the capital assets acquired are reported in the financial statements of the Hancock County School Department. Therefore, Hancock County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

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

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

#### Primary Government

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

#### Discretely Presented Hancock County School Department

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

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

#### Primary Government

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

#### Discretely Presented Hancock County School Department

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not

budgeted and the capital project funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) of the General Fund by \$123,840. Such overexpenditures are violations of state statute. This overexpenditure was funded by greater than anticipated revenues.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

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

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

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The county did not have any pooled or nonpooled investments as of June 30, 2008.

### **B. Lease Receivable**

The General Debt Service Fund has a lease receivable totaling \$5,849,723 at June 30, 2008. This lease receivable resulted from an agreement entered into by Hancock County and Wellmont Health System (Wellmont) to operate the hospital facility through 2028. Hancock County completed construction of a new hospital facility during the 2004-05 year and financed the facility through long-term debt and federal grants. A major portion of that financing was provided through the issuance of a \$6,000,000 general obligation bond by

the county. Wellmont is required to pay the county lease payments that are equal to the amount of debt service requirements on the outstanding \$6,000,000 bond. In addition to the original \$6,000,000 bond, the county has issued a \$300,000 bond and a variable rate other loan of which \$707,534 was used for hospital construction. Presently Wellmont is providing funding for the retirement of all three debt issues associated with the hospital construction. Therefore, the amount recognized as a lease receivable is equal to the county's debt of which Wellmont is presently retiring. Wellmont has an option to purchase the facility for the then current fair market value upon the final payment of all outstanding amounts on the bonds. Wellmont also has the option to retire the bonds in accordance with the terms thereof at any time while the agreement is in effect.

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

	Balance 7-1-07	Retired	Balance 6-30-08
Hospital Bond (A)	\$ 5,280,000	\$ 240,000	\$ 5,040,000
Hospital Bond (B)	210,000	30,000	180,000
Other Loans	658,523	28,800	629,723
Total	\$ 6,148,523	\$ 298,800	\$ 5,849,723

The original lease agreement called for Wellmont to operate the county's Emergency Medical Service (EMS) and for the county to pay Wellmont a subsidy of \$200,000 per year, which would be netted against the lease payments made by Wellmont. The county and Wellmont amended the lease whereby the county retains the EMS operations. In addition to retaining the EMS operations, Wellmont agreed to reimburse the county the prior subsidy totaling \$200,000 over a period of four years. The remaining balance of this receivable (\$150,000) is reflected on the balance sheet of the General Debt Service Fund.

In the financial statements of the General Debt Service Fund, revenues of \$642,903 have been recognized from Wellmont during the year. This amount includes \$535,941 current payments under the agreement, \$50,000 as reimbursement of prior year EMS subsidy, and \$56,962 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility including interest.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 370,174	\$ 0	\$ 0	\$ 370,174
Construction in Progress	461,362	15,405	476,767	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 831,536</b>	<b>\$ 15,405</b>	<b>\$ 476,767</b>	<b>\$ 370,174</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,101,255	\$ 342,998	\$ 0	\$ 3,444,253
Machinery and Equipment	1,968,713	91,903	0	2,060,616
Infrastructure	21,167,667	133,769	59,276	21,242,160
<b>Total Capital Assets Depreciated</b>	<b>\$ 26,237,635</b>	<b>\$ 568,670</b>	<b>\$ 59,276</b>	<b>\$ 26,747,029</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,494,459	\$ 77,246	\$ 0	\$ 1,571,705
Machinery and Equipment	1,547,419	139,403	0	1,686,822
Infrastructure	4,906,537	531,054	59,276	5,378,315
<b>Total Accumulated Depreciation</b>	<b>\$ 7,948,415</b>	<b>\$ 747,703</b>	<b>\$ 59,276</b>	<b>\$ 8,636,842</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 18,289,220</b>	<b>\$ (179,033)</b>	<b>\$ 0</b>	<b>\$ 18,110,187</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 19,120,756</b>	<b>\$ (163,628)</b>	<b>\$ 476,767</b>	<b>\$ 18,480,361</b>

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

**Governmental Activities:**

General Government	\$ 2,858
Finance	417
Public Safety	87,800
Public Health and Welfare	52,479

**Governmental Activities (Cont.):**

Social, Cultural, and Recreational Services	\$	6,500
Other Operations		22,604
Highway/Public Works		<u>575,045</u>
Total Depreciation Expense - Governmental Activities	\$	<u>747,703</u>

**Discretely Presented Hancock County School Department**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 453,176	\$ 0	\$ 26	\$ 453,150
Construction in Progress	<u>85,892</u>	<u>59,296</u>	<u>39,500</u>	<u>105,688</u>
Total Capital Assets Not Depreciated	<u>\$ 539,068</u>	<u>\$ 59,296</u>	<u>\$ 39,526</u>	<u>\$ 558,838</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,297,755	\$ 39,500	\$ 0	\$ 15,337,255
Machinery and Equipment	<u>1,192,970</u>	<u>252,913</u>	<u>58,688</u>	<u>1,387,195</u>
Total Capital Assets Depreciated	<u>\$ 16,490,725</u>	<u>\$ 292,413</u>	<u>\$ 58,688</u>	<u>\$ 16,724,450</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,646,926	\$ 402,951	\$ 0	\$ 3,049,877
Machinery and Equipment	<u>648,252</u>	<u>113,990</u>	<u>56,927</u>	<u>705,315</u>
Total Accumulated Depreciation	<u>\$ 3,295,178</u>	<u>\$ 516,941</u>	<u>\$ 56,927</u>	<u>\$ 3,755,192</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,195,547</u>	<u>\$ (224,528)</u>	<u>\$ 1,761</u>	<u>\$ 12,969,258</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,734,615</u>	<u>\$ (165,232)</u>	<u>\$ 41,287</u>	<u>\$ 13,528,096</u>

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

**Governmental Activities:**

Instruction	\$	402,951
Support Services		109,077
Operation of Non-Instructional Services		<u>4,913</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>516,941</u></u>

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

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 2,993

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

**Interfund Loans to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Discretely Presented School Department: General Purpose School	School Federal Projects	\$ 18,734

This balance resulted from a loan for cash flow purposes.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2008, consisted of the following amount:

**Primary Government**

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

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

**E. Long-term Debt**

**Primary Government**

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

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to three years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2008, will be retired from the General Fund and the General Debt Service Fund.

General obligation bonds, capital outlay notes and other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Amount of Issue	Balance 6-30-08
Capital Outlay Notes	3.75 to 5.52%	\$ 277,126	\$ 197,194
Other Loans	Variable	14,595,000	12,716,570
General Obligation Bonds	4.25 to 5.6	6,610,000	5,517,382

In prior years, Hancock County entered into three loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make \$12,000,000, \$945,000, and \$1,650,000 available for loan to Hancock County on an as-needed basis to finance the school building program, to refinance the outstanding jail construction bonds, and to finance school capital projects and hospital building projects, respectively. Hancock County has borrowed the entire amount of these loans. These loans are repayable at an interest rate that is a tax-exempt variable

rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2008, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-08	Interest Type	Interest Rates as of 6-30-08	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan Program (1997)	\$ 12,000,000	\$ 10,880,000	Variable	1.29 %	0.44 %
Refunding Issue Loan Program (2002)	945,000	635,000	Variable	1.54	0.74
School Construction and Hospital Equipment Loan Program (2005)	1,650,000	<u>1,201,570</u>	Variable	1.54	0.61
Total		<u>\$ 12,716,570</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2009	\$ 273,864	\$ 307,776	\$ 92,375	\$ 8,743
2010	274,037	293,343	52,409	4,677
2011	274,219	277,369	52,410	2,339
2012	274,409	262,154	0	0
2013	274,607	246,929	0	0
2014-2018	1,256,337	1,015,403	0	0
2019-2023	1,232,820	666,102	0	0
2024-2028	1,240,914	317,194	0	0
2029-2033	291,011	48,041	0	0
2034-2038	53,314	22,198	0	0
2039-2043	49,243	11,397	0	0
2044-2045	22,607	1,466	0	0
Total	<u>\$ 5,517,382</u>	<u>\$ 3,469,372</u>	<u>\$ 197,194</u>	<u>\$ 15,759</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2009	\$ 409,000	\$ 168,635	\$ 59,895	\$ 637,530
2010	442,000	163,087	57,832	662,919
2011	477,000	157,105	55,615	689,720
2012	501,000	150,659	53,232	704,891
2013	524,000	143,894	50,732	718,626
2014-2018	3,114,000	603,090	210,865	3,927,955
2019-2023	3,657,000	384,354	133,261	4,174,615
2024-2027	3,592,570	120,864	41,938	3,755,372
Total	\$ 12,716,570	\$ 1,891,688	\$ 663,370	\$ 15,271,628

There is \$1,386,539 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$819, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$2,735, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
	Balance, July 1, 2007	\$ 5,791,079	\$ 79,933
Additions	0	157,227	0
Deductions	(273,697)	(39,966)	(37,206)
Balance, June 30, 2008	\$ 5,517,382	\$ 197,194	\$ 0
Balance Due Within One Year	\$ 273,864	\$ 92,375	\$ 0
	Landfill Closure/ Postclosure Care Cost	Other Loans	Compensated Absences
Balance, July 1, 2007	\$ 161,649	\$ 13,092,570	\$ 50,699
Additions	0	0	450
Deductions	(92,565)	(376,000)	(4,261)
Balance, June 30, 2008	\$ 69,084	\$ 12,716,570	\$ 46,888
Balance Due Within One Year	\$ 1,865	\$ 409,000	\$ 9,378

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 18,547,118
Less: Balance Due Within One Year	<u>(786,482)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,760,636</u>
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Compensated absences will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

**Discretely Presented Hancock County School Department**

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hancock County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:	<u>Claims and Judgments Payable</u>
Balance, July 1, 2007	\$ 45,000
Deductions	<u>(7,500)</u>
Balance, June 30, 2008	<u>\$ 37,500</u>
Balance Due Within One Year	<u>\$ 7,500</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 37,500
Less: Balance Due Within One Year	<u>(7,500)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 30,000</u>
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A judgment of \$75,000 was assessed against the School Department related to a lawsuit filed by an employee for a work related injury. The judgment is to be paid over a ten-year period with interest of six percent. The remaining balance of the claims and judgments payable outstanding at June 30, 2008, will be retired from the General Purpose School Fund.

**F. Pledges of Future Revenues**

**Discretely Presented Hancock County School Department Revenues Pledged to the Primary Government for Debt Retirement**

The Board of Education pledged, by resolution, a minimum of \$541,000 per year of the nonclassroom state Basic Education Program funding for the next 19 years to the primary government's General Debt Service Fund to provide funds for the retirement of debt issued for school purposes. For the current year, the School Department contributed \$656,950 to the primary government's General Debt Service Fund.

**G. On-Behalf Payments – Discretely Presented Hancock County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$16,715 and \$8,600, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

Hancock County issued tax anticipation notes to provide temporary operating funds for the General Fund. These notes were necessary because the cash balance was not sufficient to meet current operations. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Paid	Balance 6-30-08
Tax Anticipation Notes	\$ 250,000	\$ 250,000	\$ 500,000	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

Hancock County purchases commercial insurance for certain risks of loss to which it is exposed, including general liability on county assets. However, Hancock County does not maintain workers' compensation or insurance coverage on county buildings and their contents. The Hancock County

Highway Department purchases commercial insurance for general liability and workers' compensation coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The county has not made other provisions to reduce the potential for financial loss. Hancock County does not provide health insurance for its employees.

### **Discretely Presented Hancock County School Department**

The School Department participates in 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 TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

## **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the county's financial statements. In previous years, Hancock County and the School Department were only required to recognize the current year cost (expense) of these benefits. GASB Statement No. 45 had no effect on the financial statements of Hancock County and the School Department for the year ended June 30, 2008, since the county and the School Department do not currently provide any postemployment benefits to their employees. However it is reasonably expected that Hancock County and/or the School Department may provide OPEB benefits in subsequent years.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Hancock County. Hancock County previously did not disclose the nature of its pledged revenue streams.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Hancock County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Events**

Prior to June 30, 2008, Hancock County approved the issuance of a capital outlay note not to exceed \$233,000 for the construction of an industrial park building. However, as of the date of this report, the note has not been issued.

On July 18, 2008, Hancock County issued a capital outlay note totaling \$80,000 for the purchase of a new ambulance.

On August 28, 2008, Hancock County issued a tax anticipation note totaling \$250,000 to provide operating funds for the General Fund.

On August 31, 2008, Wayne Wallen, left the Office of Assessor of Property and was succeeded by William Seal.

**D. Contingent Liabilities**

Hancock County has been named as a co-defendant in a lawsuit, which involves a claim for punitive and compensatory damages totaling \$7,000,000 for an alleged civil rights violation resulting in the death of an inmate in the county jail. Hancock County has liability insurance, and the insurance carrier has employed private counsel. The county is also involved in other pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**E. Landfill Closure/Postclosure Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Hancock County has stopped accepting waste and has placed the final cover on its landfill. The \$69,084 reported as postclosure care liability as of June 30, 2008, represents the estimated postclosure care cost for the next 19 years. The postclosure care is based on what it would cost to perform all postclosure care in 2008. Therefore, annual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District; Greene, Hamblen, Hancock and Hawkins counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2008, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. Jointly Governed Organizations**

**Primary Government**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors/executives of each county or the county mayor's/executive's designee and one nonvoting member representing each of the following: the Tennessee Department of

Agriculture and the University of Tennessee's Agricultural Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center manager as an ex-officio member, is in charge of daily operations of the center.

### **Discretely Presented Hancock County School Department**

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

## **H. Retirement Commitments**

### **Employees**

#### **Plan Description**

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

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

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

**Funding Policy**

Hancock County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008, was 6.09 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2008, Hancock County’s annual pension cost of \$32,324 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hancock County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$32,324	100%	\$0
6-30-07	32,990	100	0
6-30-06	18,345	100	0

## **Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 89.87 percent funded. The actuarial accrued liability for benefits was \$1.55 million, and the actuarial value of assets was \$1.40 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.54 million, and the ratio of the UAAL to the covered payroll was 28.99 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## **School Teachers**

### **Plan Description**

The Hancock County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. 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 Hancock County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Hancock County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$271,166, \$271,166, and \$231,327, respectively, equal to the required contributions for each year.

### **I. Purchasing Laws**

#### Office of County Mayor

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

#### Office of Road Superintendent

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

Office of Director of Schools

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,432,620	\$ 1,535,000	\$ 1,535,000	\$ (102,380)
Fines, Forfeitures, and Penalties	46,452	34,200	34,200	12,252
Charges for Current Services	670,688	468,600	559,700	110,988
Other Local Revenues	113,661	90,000	96,775	16,886
Fees Received from County Officials	252,671	214,600	221,600	31,071
State of Tennessee	1,585,553	1,371,490	1,373,263	212,290
Federal Government	184,138	178,611	194,400	(10,262)
Other Governments and Citizens Groups	85,857	68,000	68,000	17,857
Total Revenues	\$ 4,371,640	\$ 3,960,501	\$ 4,082,938	\$ 288,702
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 52,416	\$ 49,400	\$ 61,750	\$ 9,334
County Mayor/Executive	134,405	138,780	141,180	6,775
County Attorney	15,000	15,000	15,000	0
Election Commission	85,276	90,055	91,828	6,552
Register of Deeds	89,951	86,825	95,175	5,224
County Buildings	103,508	66,000	114,500	10,992
<u>Finance</u>				
Property Assessor's Office	83,005	83,652	83,652	647
Reappraisal Program	14,144	25,020	25,020	10,876
County Trustee's Office	98,522	101,757	101,757	3,235
County Clerk's Office	106,820	109,177	109,177	2,357
Other Finance	50,022	40,000	50,800	778
<u>Administration of Justice</u>				
Circuit Court	102,238	124,722	125,597	23,359
General Sessions Court	63,810	65,139	65,339	1,529
Chancery Court	83,775	87,552	87,552	3,777
District Attorney General	13,265	16,000	16,000	2,735
<u>Public Safety</u>				
Sheriff's Department	376,912	401,517	391,665	14,753
Jail	894,990	755,950	771,150	(123,840)
Juvenile Services	22,634	25,189	25,189	2,555
Commissary	51,767	51,774	51,773	6
Civil Defense	28,466	29,300	29,350	884
Rescue Squad	1,400	1,400	1,400	0
Other Emergency Management	6,996	18,323	18,323	11,327
County Coroner/Medical Examiner	15,000	15,000	15,000	0
Other Public Safety	2,372	1,200	6,200	3,828
<u>Public Health and Welfare</u>				
Local Health Center	41,356	25,800	41,589	233
Ambulance/Emergency Medical Services	678,048	548,096	716,423	38,375
Alcohol and Drug Programs	764	3,815	3,815	3,051

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Crippled Children Services	\$ 415	\$ 415	\$ 415	\$ 0
Other Local Health Services	3,855	8,153	8,153	4,298
Sanitation Management	27,468	29,237	29,237	1,769
Other Public Health and Welfare	570	7,064	7,064	6,494
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	6,869	6,869	6,869	0
Libraries	49,541	50,360	50,360	819
Other Social, Cultural, and Recreational	5,177	9,100	9,100	3,923
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	40,063	49,920	49,920	9,857
Soil Conservation	12,733	13,400	13,400	667
<u>Other Operations</u>				
Public Transportation	230,707	227,425	239,025	8,318
Veterans' Services	6,416	7,400	7,400	984
Employee Benefits	29,016	32,000	32,000	2,984
<u>Principal on Debt</u>				
General Government	58,839	86,369	58,843	4
<u>Interest on Debt</u>				
General Government	3,451	0	5,526	2,075
<u>Other Debt Service</u>				
General Government	696	250,000	700	4
Total Expenditures	\$ 3,692,678	\$ 3,754,155	\$ 3,774,216	\$ 81,538
Excess (Deficiency) of Revenues Over Expenditures	\$ 678,962	\$ 206,346	\$ 308,722	\$ 370,240
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 77,227	\$ 0	\$ 77,227	\$ 0
Insurance Recovery	3,299	0	3,298	1
Transfers Out	(44,000)	(44,000)	(44,000)	0
Total Other Financing Sources (Uses)	\$ 36,526	\$ (44,000)	\$ 36,525	\$ 1
Net Change in Fund Balance	\$ 715,488	\$ 162,346	\$ 345,247	\$ 370,241
Fund Balance, July 1, 2007	(25,894)	(53,376)	(53,376)	27,482
Fund Balance, June 30, 2008	\$ 689,594	\$ 108,970	\$ 291,871	\$ 397,723

Exhibit E-2

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Other Special Revenue Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 2,242,852	\$ 990,000	\$ 1,523,000	\$ 719,852
Other Local Revenues	50	0	0	50
Total Revenues	<u>\$ 2,242,902</u>	<u>\$ 990,000</u>	<u>\$ 1,523,000</u>	<u>\$ 719,902</u>
<u>Expenditures</u>				
<u>Finance</u>				
Purchasing	\$ 3,628	\$ 0	\$ 23,730	\$ 20,102
<u>Public Health and Welfare</u>				
Other Local Health Services	1,504,127	1,075,100	1,584,370	80,243
Total Expenditures	<u>\$ 1,507,755</u>	<u>\$ 1,075,100</u>	<u>\$ 1,608,100</u>	<u>\$ 100,345</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 735,147</u>	<u>\$ (85,100)</u>	<u>\$ (85,100)</u>	<u>\$ 820,247</u>
Net Change in Fund Balance	\$ 735,147	\$ (85,100)	\$ (85,100)	\$ 820,247
Fund Balance, July 1, 2007	127,162	127,162	127,162	0
Fund Balance, June 30, 2008	<u>\$ 862,309</u>	<u>\$ 42,062</u>	<u>\$ 42,062</u>	<u>\$ 820,247</u>

Exhibit E-3

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 29,734	0 \$	29,734 \$	0 \$	0 \$	29,734
State of Tennessee	1,318,937	0	1,318,937	1,249,197	1,249,197	69,740
Total Revenues	\$ 1,348,671	0 \$	1,348,671 \$	1,249,197 \$	1,249,197 \$	99,474
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 408,012	0 \$	408,012 \$	482,310 \$	482,310 \$	74,298
Highway and Bridge Maintenance	562,524	(6,327)	556,197	806,528	792,548	236,351
Operation and Maintenance of Equipment	138,219	0	138,219	127,240	141,220	3,001
Other Charges	58,111	0	58,111	65,500	65,500	7,389
Employee Benefits	78,661	0	78,661	94,139	94,139	15,478
Capital Outlay	2,844	0	2,844	54,300	54,300	51,456
Total Expenditures	\$ 1,248,371	(6,327) \$	1,242,044 \$	1,630,017 \$	1,630,017 \$	387,973
Excess (Deficiency) of Revenues Over Expenditures	\$ 100,300	6,327 \$	106,627 \$	(380,820) \$	(380,820) \$	487,447
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 100,300	6,327 \$	106,627 \$	(380,820) \$	(380,820) \$	487,447
	505,301	(6,327)	498,974	380,820	380,820	118,154
Fund Balance, June 30, 2008	\$ 605,601	0 \$	605,601 \$	0 \$	0 \$	605,601

Exhibit E-4

Hancock County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 1,401	\$ 1,559	\$ 158	89.87 %	\$ 545	28.99 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

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**HANCOCK COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) of the General Fund by \$123,840. Such overexpenditures are violations of state statute.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

Health Department Fund – The Health Department Fund is used to account for transactions related to the county’s Health Department.

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

## Capital Projects Funds

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

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

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

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Exhibit F-1

Hancock County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2008

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Health Department	Drug Control	Constitu- tional - Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<b>ASSETS</b>									
Cash	\$ 0	\$ 0	\$ 0	\$ 2,993	\$ 2,993	\$ 0	\$ 0	\$ 0	\$ 2,993
Equity in Pooled Cash and Investments	81,843	8,269	62	0	90,174	50,000	880,754	930,754	1,020,928
Accounts Receivable	872	0	0	0	872	0	970	970	1,842
Due from Other Governments	746	0	0	0	746	77,854	0	77,854	78,600
Property Taxes Receivable	229,114	0	0	0	229,114	0	0	0	229,114
Allowance for Uncollectible Property Taxes	(8,396)	0	0	0	(8,396)	0	0	0	(8,396)
Prepaid Items	0	0	0	0	0	30,000	0	30,000	30,000
<b>Total Assets</b>	\$ 304,179	\$ 8,269	\$ 62	\$ 2,993	\$ 315,503	\$ 157,854	\$ 881,724	\$ 1,039,578	\$ 1,355,081
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts Payable	\$ 11,607	\$ 0	\$ 0	\$ 0	\$ 11,607	\$ 13,177	\$ 0	\$ 13,177	\$ 24,784
Contracts Payable	0	0	0	0	0	64,677	0	64,677	64,677
Due to Other Funds	0	0	0	2,993	2,993	0	0	0	2,993
Deferred Revenue - Current Property Taxes	210,946	0	0	0	210,946	0	0	0	210,946
Deferred Revenue - Delinquent Property Taxes	9,578	0	0	0	9,578	0	0	0	9,578
Other Deferred Revenues	249	0	0	0	249	0	0	0	249
<b>Total Liabilities</b>	\$ 232,380	\$ 0	\$ 0	\$ 2,993	\$ 235,373	\$ 77,854	\$ 0	\$ 77,854	\$ 313,227
<b>Fund Balances</b>									
Reserved for Capital Outlay	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000	\$ 0	\$ 80,000	\$ 80,000
Unreserved	71,799	8,269	62	0	80,130	0	881,724	881,724	961,854
<b>Total Fund Balances</b>	\$ 71,799	\$ 8,269	\$ 62	\$ 0	\$ 80,130	\$ 80,000	\$ 881,724	\$ 961,724	\$ 1,041,854
<b>Total Liabilities and Fund Balances</b>	\$ 304,179	\$ 8,269	\$ 62	\$ 2,993	\$ 315,503	\$ 157,854	\$ 881,724	\$ 1,039,578	\$ 1,355,081

Exhibit F-2

Hancock County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	Special Revenue Funds					Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Health Department	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>									
Local Taxes	\$ 206,267	\$ 0	\$ 0	\$ 0	\$ 206,267	\$ 0	\$ 0	\$ 0	\$ 206,267
Charges for Current Services	9,635	0	0	285	9,920	0	0	0	9,920
State of Tennessee	6,692	0	0	0	6,692	0	0	0	6,692
Federal Government	0	0	0	0	0	403,669	0	403,669	403,669
Total Revenues	\$ 222,594	\$ 0	\$ 0	\$ 285	\$ 222,879	\$ 403,669	\$ 0	\$ 403,669	\$ 626,548
<u>Expenditures</u>									
Current:									
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 285	\$ 285	\$ 0	\$ 0	\$ 0	\$ 285
Public Health and Welfare	238,067	47,101	0	0	285,168	0	0	0	285,168
Capital Projects	0	0	0	0	0	414,664	0	414,664	414,664
Total Expenditures	\$ 238,067	\$ 47,101	\$ 0	\$ 285	\$ 285,453	\$ 414,664	\$ 0	\$ 414,664	\$ 700,117
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,473)	\$ (47,101)	\$ 0	\$ 0	\$ (62,574)	\$ (10,995)	\$ 0	\$ (10,995)	\$ (73,569)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000	\$ 0	\$ 80,000	\$ 80,000
Transfers In	0	44,000	0	0	44,000	0	0	0	44,000
Total Other Financing Sources (Uses)	\$ 0	\$ 44,000	\$ 0	\$ 0	\$ 44,000	\$ 80,000	\$ 0	\$ 80,000	\$ 124,000
Net Change in Fund Balances	\$ (15,473)	\$ (3,101)	\$ 0	\$ 0	\$ (18,574)	\$ 69,005	\$ 0	\$ 69,005	\$ 50,431
Fund Balance, July 1, 2007	87,272	11,370	62	0	98,704	10,995	881,724	892,719	991,423
Fund Balance, June 30, 2008	\$ 71,799	\$ 8,269	\$ 62	\$ 0	\$ 80,130	\$ 80,000	\$ 881,724	\$ 961,724	\$ 1,041,854

Exhibit F-3

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 206,267	\$ 216,000	\$ 216,000	\$ (9,733)
Charges for Current Services	9,635	10,000	10,000	(365)
State of Tennessee	6,692	18,000	18,000	(11,308)
Total Revenues	<u>\$ 222,594</u>	<u>\$ 244,000</u>	<u>\$ 244,000</u>	<u>\$ (21,406)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 238,067	\$ 263,140	\$ 263,140	\$ 25,073
Total Expenditures	<u>\$ 238,067</u>	<u>\$ 263,140</u>	<u>\$ 263,140</u>	<u>\$ 25,073</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,473)</u>	<u>\$ (19,140)</u>	<u>\$ (19,140)</u>	<u>\$ 3,667</u>
Net Change in Fund Balance	\$ (15,473)	\$ (19,140)	\$ (19,140)	\$ 3,667
Fund Balance, July 1, 2007	<u>87,272</u>	<u>87,272</u>	<u>87,272</u>	<u>0</u>
Fund Balance, June 30, 2008	<u>\$ 71,799</u>	<u>\$ 68,132</u>	<u>\$ 68,132</u>	<u>\$ 3,667</u>

Exhibit F-4

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Health Department Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 47,101	\$ 55,369	\$ 55,369	\$ 8,268
Total Expenditures	\$ 47,101	\$ 55,369	\$ 55,369	\$ 8,268
Excess (Deficiency) of Revenues Over Expenditures	\$ (47,101)	\$ (55,369)	\$ (55,369)	\$ 8,268
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 44,000	\$ 44,000	\$ 44,000	\$ 0
Total Other Financing Sources (Uses)	\$ 44,000	\$ 44,000	\$ 44,000	\$ 0
Net Change in Fund Balance	\$ (3,101)	\$ (11,369)	\$ (11,369)	\$ 8,268
Fund Balance, July 1, 2007	11,370	11,369	11,369	1
Fund Balance, June 30, 2008	\$ 8,269	\$ 0	\$ 0	\$ 8,269

Exhibit F-5

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 0	\$ 62	\$ 62	\$ 62
Total Expenditures	\$ 0	\$ 62	\$ 62	\$ 62
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (62)	\$ (62)	\$ 62
Net Change in Fund Balance	\$ 0	\$ (62)	\$ (62)	\$ 62
Fund Balance, July 1, 2007	62	62	62	0
Fund Balance, June 30, 2008	\$ 62	\$ 0	\$ 0	\$ 62

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# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,022	\$ 2,700	\$ 2,700	\$ 5,322
Other Local Revenues	236,323	200,000	200,000	36,323
State of Tennessee	717	100	100	617
Other Governments and Citizens Groups	1,335,670	1,192,364	1,192,364	143,306
Total Revenues	<u>\$ 1,580,732</u>	<u>\$ 1,395,164</u>	<u>\$ 1,395,164</u>	<u>\$ 185,568</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 378,830	\$ 378,832	\$ 378,832	\$ 2
Education	289,200	289,200	289,200	0
<u>Interest on Debt</u>				
General Government	359,003	380,244	380,244	21,241
Education	354,191	576,184	528,014	173,823
<u>Other Debt Service</u>				
General Government	16,537	24,200	24,200	7,663
Education	52,166	4,000	52,170	4
Total Expenditures	<u>\$ 1,449,927</u>	<u>\$ 1,652,660</u>	<u>\$ 1,652,660</u>	<u>\$ 202,733</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 130,805</u>	<u>\$ (257,496)</u>	<u>\$ (257,496)</u>	<u>\$ 388,301</u>
Net Change in Fund Balance	\$ 130,805	\$ (257,496)	\$ (257,496)	\$ 388,301
Fund Balance, July 1, 2007	1,255,734	1,253,417	1,253,417	2,317
Fund Balance, June 30, 2008	<u>\$ 1,386,539</u>	<u>\$ 995,921</u>	<u>\$ 995,921</u>	<u>\$ 390,618</u>

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# Fiduciary Funds

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

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

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

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

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Exhibit H-1

Hancock County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>			
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 400,104	\$ 0	\$ 400,104
Equity in Pooled Cash and Investments	0	0	109,807	109,807
Accounts Receivable	0	0	4,963	4,963
Due from Other Governments	27,386	0	0	27,386
Prepaid Items	0	0	2,378	2,378
Total Assets	<u>\$ 27,386</u>	<u>\$ 400,104</u>	<u>\$ 117,148</u>	<u>\$ 544,638</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 515	\$ 515
Due to Other Taxing Units	27,386	0	116,633	144,019
Due to Litigants, Heirs, and Others	0	400,104	0	400,104
Total Liabilities	<u>\$ 27,386</u>	<u>\$ 400,104</u>	<u>\$ 117,148</u>	<u>\$ 544,638</u>

Exhibit H-2

Hancock County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 155,789	\$ 155,789	\$ 0
Due from Other Governments	24,155	27,386	24,155	27,386
Total Assets	\$ 24,155	\$ 183,175	\$ 179,944	\$ 27,386
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 24,155	\$ 183,175	\$ 179,944	\$ 27,386
Total Liabilities	\$ 24,155	\$ 183,175	\$ 179,944	\$ 27,386
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 364,436	\$ 1,139,565	\$ 1,103,897	\$ 400,104
Total Assets	\$ 364,436	\$ 1,139,565	\$ 1,103,897	\$ 400,104
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 364,436	\$ 1,139,565	\$ 1,103,897	\$ 400,104
Total Liabilities	\$ 364,436	\$ 1,139,565	\$ 1,103,897	\$ 400,104
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 97,963	\$ 197,961	\$ 186,117	\$ 109,807
Accounts Receivable	5,009	4,963	5,009	4,963
Prepaid Items	2,075	2,378	2,075	2,378
Total Assets	\$ 105,047	\$ 205,302	\$ 193,201	\$ 117,148
<u>Liabilities</u>				
Accounts Payable	\$ 914	\$ 515	\$ 914	\$ 515
Due to State of Tennessee	34,936	0	34,936	0
Due to Other Taxing Units	69,197	204,787	157,351	116,633
Total Liabilities	\$ 105,047	\$ 205,302	\$ 193,201	\$ 117,148

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 364,436	\$ 1,139,565	\$ 1,103,897	\$ 400,104
Equity in Pooled Cash and Investments	97,963	353,750	341,906	109,807
Accounts Receivable	5,009	4,963	5,009	4,963
Due from Other Governments	24,155	27,386	24,155	27,386
Prepaid Items	2,075	2,378	2,075	2,378
Total Assets	<u>\$ 493,638</u>	<u>\$ 1,528,042</u>	<u>\$ 1,477,042</u>	<u>\$ 544,638</u>
<u>Liabilities</u>				
Accounts Payable	\$ 914	\$ 515	\$ 914	\$ 515
Due to State of Tennessee	34,936	0	34,936	0
Due to Other Taxing Units	93,352	387,962	337,295	144,019
Due to Litigants, Heirs, and Others	364,436	1,139,565	1,103,897	400,104
Total Liabilities	<u>\$ 493,638</u>	<u>\$ 1,528,042</u>	<u>\$ 1,477,042</u>	<u>\$ 544,638</u>

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# Hancock County School Department

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

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

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

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

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Exhibit I-1

Hancock County, Tennessee  
Statement of Activities  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues		Net Expense (Revenue) and Changes in Net Assets Total
	Charges for Services	Operating Grants and Contributions	
Governmental Activities:			
Instruction	\$ 5,070,211	\$ 390	\$ 1,440,057
Support Services	3,111,608	0	0
Operation of Non-Instructional Services	1,176,144	110,829	533,581
Other Debt Service	656,950	0	0
Total Governmental Activities	\$ 10,014,913	\$ 111,219	\$ 1,973,638
General Revenues:			
Taxes:			\$
Property Taxes Levied for General Purposes			595,974
Local Option Sales Taxes			207,984
Wheel Tax			56,570
Wholesale Beer Tax			3,283
Interstate Telecommunications Tax			867
Grants and Contributions Not Restricted for Specific Programs			6,539,253
Unrestricted Investment Income			4,594
Miscellaneous			43,893
Gain on Sale of Capital Assets			1,763
Total General Revenues			\$ 7,454,181
Change in Net Assets			\$ (475,875)
Net Assets, July 1, 2007			16,754,343
Net Assets, June 30, 2008			\$ 16,278,468

Exhibit I-2

Hancock County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Hancock County School Department  
June 30, 2008

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Govern-</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>mental</u>
			<u>Fund</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 168	\$ 0	\$ 4,199	\$ 4,367
Equity in Pooled Cash and Investments	2,553,009	332	91,609	2,644,950
Accounts Receivable	239	0	0	239
Due from Other Governments	186,911	32,118	38,464	257,493
Due from Other Funds	18,734	0	0	18,734
Property Taxes Receivable	666,515	0	0	666,515
Allowance for Uncollectible Property Taxes	(24,424)	0	0	(24,424)
<b>Total Assets</b>	<b>\$ 3,401,152</b>	<b>\$ 32,450</b>	<b>\$ 134,272</b>	<b>\$ 3,567,874</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 53,266	\$ 5,578	\$ 0	\$ 58,844
Contracts Payable	9,439	0	0	9,439
Due to Other Funds	0	18,734	0	18,734
Other Current Liabilities	79,324	0	0	79,324
Deferred Revenue - Current Property Taxes	613,661	0	0	613,661
Deferred Revenue - Delinquent Property Taxes	27,866	0	0	27,866
Other Deferred Revenues	18,559	0	0	18,559
<b>Total Liabilities</b>	<b>\$ 802,115</b>	<b>\$ 24,312</b>	<b>\$ 0</b>	<b>\$ 826,427</b>
<u>Fund Balances</u>				
Other Local Education Reserves	\$ 7,394	\$ 0	\$ 0	\$ 7,394
Reserved for Career Ladder - Extended Contract	537	0	0	537
Reserved for Basic Education Program	421,127	0	0	421,127
Reserved for Special Education - Grants to States	0	8,138	0	8,138
Unreserved, Reported In:				
General Fund	2,169,979	0	0	2,169,979
Special Revenue Funds	0	0	134,272	134,272
<b>Total Fund Balances</b>	<b>\$ 2,599,037</b>	<b>\$ 8,138</b>	<b>\$ 134,272</b>	<b>\$ 2,741,447</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,401,152</b>	<b>\$ 32,450</b>	<b>\$ 134,272</b>	<b>\$ 3,567,874</b>

Exhibit I-3

Hancock County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Hancock County School Department  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 2,741,447
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 453,150	
Add: construction in progress	105,688	
Add: building and improvements net of accumulated depreciation	12,287,378	
Add: machinery and equipment net of accumulated depreciation	<u>681,880</u>	13,528,096
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: judgments payable		(37,500)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>46,425</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 16,278,468</u>

Exhibit I-4

Hancock County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2008

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 859,406	\$ 0	\$ 0	\$ 859,406
Licenses and Permits	570	0	0	570
Charges for Current Services	0	0	110,829	110,829
Other Local Revenues	57,511	0	4,594	62,105
State of Tennessee	6,993,501	0	31,149	7,024,650
Federal Government	36,459	957,176	439,160	1,432,795
Other Governments and Citizens Groups	18,557	0	0	18,557
Total Revenues	<u>\$ 7,966,004</u>	<u>\$ 957,176</u>	<u>\$ 585,732</u>	<u>\$ 9,508,912</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,027,972	\$ 687,215	\$ 0	\$ 4,715,187
Support Services	2,963,510	299,434	0	3,262,944
Operation of Non-Instructional Services	454,717	57,500	567,742	1,079,959
Capital Outlay	75,897	0	0	75,897
Debt Service:				
Other Debt Service	656,950	0	0	656,950
Total Expenditures	<u>\$ 8,179,046</u>	<u>\$ 1,044,149</u>	<u>\$ 567,742</u>	<u>\$ 9,790,937</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (213,042)</u>	<u>\$ (86,973)</u>	<u>\$ 17,990</u>	<u>\$ (282,025)</u>
Net Change in Fund Balances	\$ (213,042)	\$ (86,973)	\$ 17,990	\$ (282,025)
Fund Balance, July 1, 2007	<u>2,812,079</u>	<u>95,111</u>	<u>116,282</u>	<u>3,023,472</u>
Fund Balance, June 30, 2008	<u>\$ 2,599,037</u>	<u>\$ 8,138</u>	<u>\$ 134,272</u>	<u>\$ 2,741,447</u>

Exhibit I-5

Hancock County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	(282,025)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	312,209	
Less: current year depreciation expense		<u>(516,941)</u>	(204,732)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Add: gain on disposal of capital assets	\$	1,763	
Less: proceeds from sale of capital assets		<u>(3,550)</u>	(1,787)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$	46,425	
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(41,256)</u>	5,169
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in judgments payable			<u>7,500</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(475,875)</u></u>

Exhibit I-6

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Hancock County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 859,406	\$ 0	\$ 859,406	\$ 879,760	\$ 879,760	\$ (20,354)
Licenses and Permits	570	0	570	600	600	(30)
Other Local Revenues	57,511	0	57,511	57,800	42,500	15,011
State of Tennessee	6,993,501	0	6,993,501	6,794,176	6,938,445	55,056
Federal Government	36,459	0	36,459	45,066	45,066	(8,607)
Other Governments and Citizens Groups	18,557	0	18,557	0	18,000	557
Total Revenues	\$ 7,966,004	\$ 0	\$ 7,966,004	\$ 7,777,402	\$ 7,924,371	\$ 41,633
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 2,989,506	\$ 0	\$ 2,989,506	\$ 3,006,959	\$ 3,038,993	\$ 49,487
Special Education Program	598,660	0	598,660	592,544	599,074	414
Vocational Education Program	417,350	0	417,350	453,502	447,612	30,262
Adult Education Program	22,456	0	22,456	21,844	22,696	240
<u>Support Services</u>						
Attendance	45,636	0	45,636	45,655	45,655	19
Health Services	105,654	0	105,654	86,800	110,350	4,696
Other Student Support	210,315	0	210,315	217,272	212,038	1,723
Regular Instruction Program	423,860	0	423,860	436,598	434,392	10,532
Special Education Program	82,378	0	82,378	81,650	82,840	462
Vocational Education Program	75,782	0	75,782	67,690	77,621	1,839
Adult Programs	35,450	0	35,450	36,724	35,586	136
Other Programs	25,315	0	25,315	0	25,315	0
Board of Education	201,581	0	201,581	197,355	222,725	21,144
Director of Schools	110,732	0	110,732	119,510	115,577	4,845
Office of the Principal	240,055	0	240,055	241,026	241,333	1,278

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 80,221	0	\$ 80,221	\$ 81,271	\$ 81,271	\$ 1,050
Operation of Plant	451,733	0	451,733	459,887	467,656	15,923
Maintenance of Plant	79,803	0	79,803	67,673	80,922	1,119
Transportation	586,318	(144,654)	441,664	443,594	503,437	61,773
Central and Other	208,677	0	208,677	210,963	210,963	2,286
<u>Operation of Non-Instructional Services</u>						
Community Services	47,789	0	47,789	39,775	57,374	9,585
Early Childhood Education	406,928	0	406,928	406,928	406,928	0
Capital Outlay						
Regular Capital Outlay	75,897	0	75,897	800,000	781,034	705,137
Other Debt Service						
Education	656,950	0	656,950	751,000	751,000	94,050
Total Expenditures	\$ 8,179,046	\$ (144,654)	\$ 8,034,392	\$ 8,866,220	\$ 9,052,392	\$ 1,018,000
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ (213,042)	\$ 144,654	\$ (68,388)	\$ (1,088,818)	\$ (1,128,021)	\$ 1,059,633
<u>Net Change in Fund Balance</u>	\$ (213,042)	\$ 144,654	\$ (68,388)	\$ (1,088,818)	\$ (1,128,021)	\$ 1,059,633
Fund Balance, July 1, 2007	2,812,079	(144,654)	2,667,425	1,088,818	1,128,021	1,539,404
Fund Balance, June 30, 2008	\$ 2,599,037	0	\$ 2,599,037	0	0	\$ 2,599,037

Exhibit I-7

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Hancock County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 957,176 \$	0 \$	957,176 \$	1,064,761 \$	1,063,218 \$	(106,042)
Total Revenues	\$ 957,176 \$	0 \$	957,176 \$	1,064,761 \$	1,063,218 \$	(106,042)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 440,777 \$	0 \$	440,777 \$	460,541 \$	453,171 \$	12,394
Special Education Program	215,306	0	215,306	267,003	267,134	51,828
Vocational Education Program	31,132	0	31,132	29,112	31,132	0
<u>Support Services</u>						
Other Student Support	76,867	0	76,867	82,838	82,597	5,730
Regular Instruction Program	150,376	0	150,376	188,612	188,269	37,893
Special Education Program	1,462	0	1,462	4,400	4,400	2,938
Vocational Education Program	700	0	700	700	700	0
Transportation	70,029	(49,629)	20,400	24,538	24,468	4,068
<u>Operation of Non-Instructional Services</u>						
Early Childhood Education	57,500	0	57,500	52,500	57,500	0
Total Expenditures	\$ 1,044,149 \$	(49,629) \$	994,520 \$	1,110,214 \$	1,109,371 \$	114,851
Excess (Deficiency) of Revenues Over Expenditures	\$ (86,973) \$	49,629 \$	(37,344) \$	(45,483) \$	(46,153) \$	8,809
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0 \$	0 \$	0 \$	52,345 \$	0 \$	0
Transfers Out	0	0	0	(52,345)	0	0
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (86,973) \$	49,629 \$	(37,344) \$	(45,483) \$	(46,153) \$	8,809
	95,111	(49,629)	45,482	45,483	46,153	(671)
Fund Balance, June 30, 2008	\$ 8,138 \$	0 \$	8,138 \$	0 \$	0 \$	8,138

Exhibit I-8

Hancock County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Hancock County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 110,829	\$ 83,000	\$ 83,000	\$ 27,829
Other Local Revenues	4,594	4,000	4,000	594
State of Tennessee	31,149	12,000	12,000	19,149
Federal Government	439,160	379,400	379,400	59,760
Total Revenues	<u>\$ 585,732</u>	<u>\$ 478,400</u>	<u>\$ 478,400</u>	<u>\$ 107,332</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 567,742	\$ 554,377	\$ 567,777	\$ 35
Total Expenditures	<u>\$ 567,742</u>	<u>\$ 554,377</u>	<u>\$ 567,777</u>	<u>\$ 35</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 17,990</u>	<u>\$ (75,977)</u>	<u>\$ (89,377)</u>	<u>\$ 107,367</u>
Net Change in Fund Balance	\$ 17,990	\$ (75,977)	\$ (89,377)	\$ 107,367
Fund Balance, July 1, 2007	116,282	75,977	89,377	26,905
Fund Balance, June 30, 2008	<u>\$ 134,272</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,272</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Hancock County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<b>NOTES PAYABLE</b>								
<u>Payable through General Fund</u>								
Ambulance	\$ 77,227	5.52 %	9-12-07	9-12-10	\$ 0	\$ 77,227	0	\$ 77,227
Ambulance	64,899	4.45	8-29-05	8-29-08	43,266	0	21,633	21,633
Total Payable through General Fund					\$ 43,266	\$ 77,227	\$ 21,633	\$ 98,860
<u>Payable through General Debt Service Fund</u>								
Elevator	25,000	4.17	11-4-05	11-4-08	16,667	0	8,333	8,334
Hospital Re-roof	30,000	4.17	11-4-05	11-4-08	20,000	0	10,000	10,000
EMS Building	80,000	3.75	6-24-08	6-24-11	0	80,000	0	80,000
Total Payable through General Debt Service Fund					\$ 36,667	\$ 80,000	\$ 18,333	\$ 98,334
Total Notes Payable					\$ 79,933	\$ 157,227	\$ 39,966	\$ 197,194
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 11,150,000	\$ 0	\$ 270,000	\$ 10,880,000
Refunding Issue	945,000	Variable	6-28-02	5-25-17	693,000	0	58,000	635,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	1,249,570	0	48,000	1,201,570
Total Payable through General Debt Service Fund					\$ 13,092,570	\$ 0	\$ 376,000	\$ 12,716,570
Total Other Loans Payable					\$ 13,092,570	\$ 0	\$ 376,000	\$ 12,716,570
<b>CAPITAL LEASES PAYABLE</b>								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	146,010	4.1	9-22-04	9-22-07	\$ 37,206	\$ 0	\$ 37,206	\$ 0
Total Payable through General Fund					\$ 37,206	\$ 0	\$ 37,206	\$ 0
Total Capital Leases Payable					\$ 37,206	\$ 0	\$ 37,206	\$ 0

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
F.H.A. Industrial Development Bond	\$ 85,000	4.875 %	3-26-1998	3-26-36	\$ 76,079	\$ 0	\$ 1,248	\$ 74,831
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	5,280,000	0	240,000	5,040,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	210,000	0	30,000	180,000
Elevator Bond (A)	132,000	4.25	1-11-07	1-11-45	132,000	0	1,454	130,546
Elevator Bond (B)	93,000	4.375	8-18-06	8-18-44	93,000	0	995	92,005
Total Payable through General Debt Service Fund					\$ 5,791,079	\$ 0	\$ 273,697	\$ 5,517,382
Total Bonds Payable					\$ 5,791,079	\$ 0	\$ 273,697	\$ 5,517,382

Exhibit J-2

Hancock County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements	Note Principal	Note Interest	Total Note Requirements
2009	\$ 273,864	\$ 307,776	\$ 581,640	\$ 92,375	\$ 8,743	\$ 101,118
2010	274,037	293,343	567,380	52,409	4,677	57,086
2011	274,219	277,369	551,588	52,410	2,339	54,749
2012	274,409	262,154	536,563	0	0	0
2013	274,607	246,929	521,536	0	0	0
2014	274,814	232,298	507,112	0	0	0
2015	245,031	216,454	461,485	0	0	0
2016	245,257	202,601	447,858	0	0	0
2017	245,494	188,738	434,232	0	0	0
2018	245,741	175,312	421,053	0	0	0
2019	245,999	160,979	406,978	0	0	0
2020	246,269	147,082	393,351	0	0	0
2021	246,551	133,174	379,725	0	0	0
2022	246,846	119,551	366,397	0	0	0
2023	247,155	105,316	352,471	0	0	0
2024	247,478	91,368	338,846	0	0	0
2025	247,814	77,404	325,218	0	0	0
2026	248,167	63,574	311,741	0	0	0
2027	248,535	49,430	297,965	0	0	0
2028	248,920	35,418	284,338	0	0	0
2029	249,322	21,390	270,712	0	0	0
2030	9,743	7,342	17,085	0	0	0
2031	10,182	6,903	17,085	0	0	0
2032	10,641	6,443	17,084	0	0	0
2033	11,123	5,963	17,086	0	0	0
2034	11,625	5,461	17,086	0	0	0
2035	12,148	4,937	17,085	0	0	0
2036	12,570	4,515	17,085	0	0	0
2037	8,307	3,821	12,128	0	0	0
2038	8,664	3,464	12,128	0	0	0
2039	9,037	3,091	12,128	0	0	0
2040	9,426	2,702	12,128	0	0	0
2041	9,831	2,297	12,128	0	0	0
2042	10,254	1,874	12,128	0	0	0
2043	10,695	1,433	12,128	0	0	0
2044	11,155	973	12,128	0	0	0
2045	11,452	493	11,945	0	0	0
Total	\$ 5,517,382	\$ 3,469,372	\$ 8,986,754	\$ 197,194	\$ 15,759	\$ 212,953

(Continued)

Exhibit J-2

Hancock County, Tennessee  
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 409,000	\$ 168,635	\$ 59,895	\$ 637,530
2010	442,000	163,087	57,832	662,919
2011	477,000	157,105	55,615	689,720
2012	501,000	150,659	53,232	704,891
2013	524,000	143,894	50,732	718,626
2014	559,000	136,824	48,125	743,949
2015	613,000	129,290	45,351	787,641
2016	638,000	121,050	42,328	801,378
2017	672,000	112,475	39,183	823,658
2018	632,000	103,451	35,878	771,329
2019	658,000	95,143	32,993	786,136
2020	695,000	86,498	29,991	811,489
2021	736,000	77,370	26,823	840,193
2022	768,000	67,710	23,474	859,184
2023	800,000	57,633	19,980	877,613
2024	842,000	47,138	16,343	905,481
2025	878,000	36,096	12,516	926,612
2026	905,000	24,588	8,530	938,118
2027	947,000	12,726	4,423	964,149
2028	20,570	316	126	21,012
Total	\$ 12,716,570	\$ 1,891,688	\$ 663,370	\$ 15,271,628

Exhibit J-3

Hancock County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2008

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

Exhibit J-4

Hancock County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,275	\$ 25,000	Auto-Owners Mutual Ins. Co.
Road Superintendent	Section 8-24-102, <u>TCA</u>	54,310	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	77,353 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	49,372	450,000	Auto-Owners Mutual Ins. Co.
Assessor of Property	Section 8-24-102, <u>TCA</u>	49,372	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	49,372	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	49,372	25,000	Auto-Owners Mutual Ins. Co.
Clerk and Master	Section 8-24-102, <u>TCA</u>	49,372	25,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	49,372	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	59,910 (2)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			25,000	"
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

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

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

Exhibit J-5

Hancock County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds							Total
	Constituent			Highway /		Debt	Capital	
	General	Solid Waste / Sanitation	Other Special Revenue	Constitutional Officers Fees	Public Works	Service	Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,222,416	\$ 190,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,412,996
Trustee's Collections - Prior Year	22,342	7,682	0	0	0	5,605	0	35,629
Circuit/Clerk & Master Collections - Prior Years	15,116	5,672	0	0	0	1,444	0	22,232
Interest and Penalty	4,795	1,346	0	0	0	829	0	6,970
Payments in-Lieu-of Taxes - T.V.A.	21	3	0	0	0	0	0	24
<u>County Local Option Taxes</u>								
Local Option Sales Tax	50,310	0	0	0	0	0	0	50,310
Wheel Tax	56,570	0	0	0	0	0	0	56,570
Litigation Tax - General	11,422	0	0	0	0	0	0	11,422
Litigation Tax - Jail, Workhouse, or Courthouse	7,020	0	0	0	0	0	0	7,020
Business Tax	16,900	0	0	0	0	0	0	16,900
Other County Local Option Taxes	10,192	0	0	0	0	0	0	10,192
<u>Statutory Local Taxes</u>								
Bank Excise Tax	9,181	0	0	0	0	0	0	9,181
Wholesale Beer Tax	5,641	984	0	0	0	144	0	6,769
Interstate Telecommunications Tax	694	0	0	0	0	0	0	694
Total Local Taxes	\$ 1,432,620	\$ 206,267	\$ 0	\$ 0	\$ 0	\$ 8,022	\$ 0	\$ 1,646,909
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 3,914	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,914
Officers Costs	610	0	0	0	0	0	0	610
Drug Control Fines	1,182	0	0	0	0	0	0	1,182
Data Entry Fee - Circuit Court	46	0	0	0	0	0	0	46
<u>General Sessions Court</u>								
Fines	26,848	0	0	0	0	0	0	26,848
Officers Costs	2,815	0	0	0	0	0	0	2,815
Game and Fish Fines	15	0	0	0	0	0	0	15
Drug Control Fines	9,076	0	0	0	0	0	0	9,076
Data Entry Fee - General Sessions Court	1,260	0	0	0	0	0	0	1,260
Courtroom Security Fee	6	0	0	0	0	0	0	6

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Total	
	General	Solid Waste / Sanitation	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works		Debt Service Fund
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Chancery Court</u>							
Officers Costs	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250
Data Entry Fee - Chancery Court	176	0	0	0	0	0	176
<u>Judicial District Drug Program</u>							
Drug Task Force Forfeitures and Seizures	40	0	0	0	0	0	40
Other Fines, Forfeitures, and Penalties	214	0	0	0	0	0	214
Proceeds from Confiscated Property							
Total Fines, Forfeitures, and Penalties	\$ 46,452	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,452
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 9,635	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,635
Patient Charges	601,744	0	2,242,852	0	0	0	2,844,596
Work Release Charges for Board	36,123	0	0	0	0	0	36,123
Other General Service Charges	14,253	0	0	0	0	0	14,253
<u>Fees</u>							
Copy Fees	336	0	0	0	0	0	336
Telephone Commissions	15,218	0	0	0	0	0	15,218
Vending Machine Collections	230	0	0	0	0	0	230
Constitutional Officers' Fees and Commissions	0	0	0	285	0	0	285
Data Processing Fee - Register	2,684	0	0	0	0	0	2,684
Sexual Offender Registration Fees - Sheriff	100	0	0	0	0	0	100
Total Charges for Current Services	\$ 670,688	\$ 9,635	\$ 2,242,852	\$ 285	\$ 0	\$ 0	\$ 2,923,460
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,323	\$ 236,323
Lease/Rentals	100	0	0	0	0	0	100
Sale of Materials and Supplies	667	0	0	0	27,383	0	28,050
Commissary Sales	99,729	0	0	0	0	0	99,729
Miscellaneous Refunds	10,165	0	50	0	0	0	10,215
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	0	2,351	0	2,351

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Other Special Revenue	Constitutional Officers - Fees			
<u>Other Local Revenues (Cont.)</u>							
<u>Nonrecurring Items (Cont.)</u>							
Contributions and Gifts	\$ 3,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000
Total Other Local Revenues	\$ 113,661	\$ 0	\$ 50	\$ 0	\$ 29,734	\$ 236,323	\$ 379,768
<u>Fees Received from County Officials</u>							
<u>Fees In-Lieu-of Salary</u>							
County Clerk	\$ 47,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,276
Circuit Court Clerk	16,495	0	0	0	0	0	16,495
General Sessions Court Clerk	43,930	0	0	0	0	0	43,930
Clerk and Master	9,099	0	0	0	0	0	9,099
Register	26,188	0	0	0	0	0	26,188
Sheriff	1,739	0	0	0	0	0	1,739
Trustee	107,944	0	0	0	0	0	107,944
Total Fees Received from County Officials	\$ 252,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 252,671
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 6,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,750
State Reappraisal Grant	3,535	0	0	0	0	0	3,535
Solid Waste Grants	0	6,282	0	0	0	0	6,282
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	7,200	0	0	0	0	0	7,200
<u>Public Works Grants</u>							
Litter Program	26,570	0	0	0	0	0	26,570
<u>Other State Revenues</u>							
Income Tax	1,440	410	0	0	0	717	2,567
Beer Tax	19,312	0	0	0	0	0	19,312
Alcoholic Beverage Tax	15,907	0	0	0	0	0	15,907
State Revenue Sharing - T.V.A.	205,831	0	0	0	0	0	205,831
Emergency Hospital - Prisoners Board of Jurors	203,659	0	0	0	0	0	203,659
Contracted Prisoner Boarding	8,289	0	0	0	0	0	8,289
Gasoline and Motor Fuel Tax	1,030,810	0	0	0	0	0	1,030,810
	0	0	0	0	1,313,491	0	1,313,491

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Other Special Revenue	Constitu- tional Officers - Fees	Highway / Public Works			
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,446	\$ 0	\$ 0	\$ 5,446
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	39,870	0	0	0	0	0	0	39,870
Total State of Tennessee	\$ 1,585,553	\$ 6,692	\$ 0	\$ 0	\$ 1,318,937	\$ 717	\$ 0	\$ 2,911,899
<u>Federal Government</u>								
<u>Federal Through State</u>								
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,000	\$ 2,000
Homeland Security Grants	18,323	0	0	0	0	0	0	18,323
Other Federal through State	157,317	0	0	0	0	0	401,669	558,986
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	8,498	0	0	0	0	0	0	8,498
Total Federal Government	\$ 184,138	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 403,669	\$ 587,807
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 692,767	\$ 0	\$ 692,767
Contracted Services	84,657	0	0	0	0	0	0	84,657
<u>Other</u>								
Other	1,200	0	0	0	0	642,903	0	644,103
Total Other Governments and Citizens Groups	\$ 85,857	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,335,670	\$ 0	\$ 1,421,527
Total	\$ 4,371,640	\$ 222,594	\$ 2,242,902	\$ 285	\$ 1,348,671	\$ 1,580,732	\$ 403,669	\$ 10,170,493

Exhibit J-6

Hancock County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 554,508	\$ 0	\$ 0	\$ 554,508
Trustee's Collections - Prior Year	19,784	0	0	19,784
Circuit/Clerk & Master Collections - Prior Years	14,609	0	0	14,609
Interest and Penalty	3,550	0	0	3,550
Payments in-Lieu-of Taxes - T.V.A.	9	0	0	9
<u>County Local Option Taxes</u>				
Local Option Sales Tax	206,226	0	0	206,226
Wheel Tax	56,570	0	0	56,570
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	3,283	0	0	3,283
Interstate Telecommunications Tax	867	0	0	867
Total Local Taxes	<u>\$ 859,406</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 859,406</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 570	\$ 0	\$ 0	\$ 570
Total Licenses and Permits	<u>\$ 570</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 570</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 110,829	\$ 110,829
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 110,829</u>	<u>\$ 110,829</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 4,594	\$ 4,594
Lease/Rentals	390	0	0	390
Miscellaneous Refunds	29,391	0	0	29,391
<u>Nonrecurring Items</u>				
Sale of Equipment	16,175	0	0	16,175
Damages Recovered from Individuals	90	0	0	90
Contributions and Gifts	11,275	0	0	11,275
<u>Other Local Revenues</u>				
Other Local Revenues	190	0	0	190
Total Other Local Revenues	<u>\$ 57,511</u>	<u>\$ 0</u>	<u>\$ 4,594</u>	<u>\$ 62,105</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 25,315	\$ 0	\$ 0	\$ 25,315
<u>State Education Funds</u>				
Basic Education Program	6,028,082	0	0	6,028,082
School Food Service	0	0	31,149	31,149
Driver Education	1,170	0	0	1,170
Other State Education Funds	768,422	0	0	768,422
Career Ladder Program	87,802	0	0	87,802
Career Ladder - Extended Contract	51,065	0	0	51,065
<u>Other State Revenues</u>				
Income Tax	2,560	0	0	2,560

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues (Cont.)</u>				
Other State Revenues	\$ 29,085	\$ 0	\$ 0	\$ 29,085
Total State of Tennessee	\$ 6,993,501	\$ 0	\$ 31,149	\$ 7,024,650
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 305,739	\$ 305,739
Breakfast	0	0	123,674	123,674
USDA - Other	0	0	9,747	9,747
Adult Education State Grant Program	36,459	0	0	36,459
Vocational Education - Basic Grants to States	0	33,211	0	33,211
Title I Grants to Local Education Agencies	0	475,923	0	475,923
Innovative Education Program Strategies	0	20,756	0	20,756
Special Education - Grants to States	0	230,040	0	230,040
Special Education Preschool Grants	0	8,041	0	8,041
Safe and Drug-Free Schools - State Grants	0	8,543	0	8,543
Rural Education	0	11,030	0	11,030
Eisenhower Professional Development State Grants	0	106,980	0	106,980
Other Federal through State	0	62,652	0	62,652
Total Federal Government	\$ 36,459	\$ 957,176	\$ 439,160	\$ 1,432,795
<u>Other Governments and Citizens Groups</u>				
<u>Other</u>				
Other	\$ 18,557	\$ 0	\$ 0	\$ 18,557
Total Other Governments and Citizens Groups	\$ 18,557	\$ 0	\$ 0	\$ 18,557
Total	\$ 7,966,004	\$ 957,176	\$ 585,732	\$ 9,508,912

Exhibit J-7

Hancock County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,625	
Social Security		1,501	
Unemployment Compensation		8	
Audit Services		7,854	
Contributions		9,000	
Dues and Memberships		4,222	
Legal Notices, Recording, and Court Costs		1,153	
Travel		1,659	
Other Charges		7,394	
Total County Commission			\$ 52,416

County Mayor/Executive

County Official/Administrative Officer	\$	62,275	
Secretary(ies)		31,988	
Social Security		7,263	
Unemployment Compensation		80	
Communication		9,576	
Data Processing Services		6,979	
Dues and Memberships		163	
Postal Charges		2,141	
Travel		6,700	
Office Supplies		6,671	
Premiums on Corporate Surety Bonds		310	
Office Equipment		259	
Total County Mayor/Executive			134,405

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	44,435	
Other Salaries and Wages		2,024	
Election Commission		3,825	
Election Workers		3,740	
Social Security		3,692	
Unemployment Compensation		6	
Communication		1,931	
Data Processing Services		8,115	
Dues and Memberships		175	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	1,694	
Maintenance and Repair Services - Equipment		1,186	
Postal Charges		1,011	
Printing, Stationery, and Forms		2,384	
Rentals		750	
Travel		3,554	
Other Contracted Services		150	
Office Supplies		1,098	
Data Processing Equipment		258	
Office Equipment		5,248	
Total Election Commission			\$ 85,276

Register of Deeds

County Official/Administrative Officer	\$	49,372	
Clerical Personnel		24,312	
Social Security		5,619	
Unemployment Compensation		170	
Communication		1,817	
Data Processing Services		2,864	
Dues and Memberships		379	
Operating Lease Payments		1,156	
Postal Charges		300	
Travel		1,212	
Office Supplies		2,380	
Premiums on Corporate Surety Bonds		100	
Office Equipment		270	
Total Register of Deeds			89,951

County Buildings

Maintenance and Repair Services - Buildings	\$	13,012	
Other Contracted Services		11,252	
Custodial Supplies		14,221	
Electricity		39,669	
Propane Gas		1,405	
Water and Sewer		11,861	
Other Supplies and Materials		12,088	
Total County Buildings			103,508

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	49,372	
Clerical Personnel		21,602	
Social Security		5,430	
Unemployment Compensation		84	
Communication		1,316	
Data Processing Services		3,565	
Operating Lease Payments		158	
Legal Notices, Recording, and Court Costs		58	
Postal Charges		117	
Office Supplies		823	
Other Supplies and Materials		392	
Premiums on Corporate Surety Bonds		88	
Total Property Assessor's Office			\$ 83,005

Reappraisal Program

Clerical Personnel	\$	10,361	
Social Security		793	
Unemployment Compensation		121	
Contracts with Government Agencies		2,625	
Maintenance and Repair Services - Vehicles		35	
Gasoline		209	
Total Reappraisal Program			14,144

County Trustee's Office

County Official/Administrative Officer	\$	49,372	
Clerical Personnel		18,895	
Other Salaries and Wages		112	
Social Security		5,222	
Unemployment Compensation		84	
Communication		2,089	
Data Processing Services		4,552	
Dues and Memberships		399	
Legal Notices, Recording, and Court Costs		260	
Postal Charges		2,322	
Office Supplies		1,659	
Premiums on Corporate Surety Bonds		3,275	
Office Equipment		10,281	
Total County Trustee's Office			98,522

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$ 49,372	
Clerical Personnel	39,107	
Other Per Diem and Fees	550	
Social Security	6,811	
Unemployment Compensation	177	
Communication	1,714	
Data Processing Services	4,372	
Dues and Memberships	419	
Legal Notices, Recording, and Court Costs	65	
Postal Charges	367	
Travel	1,647	
Office Supplies	2,019	
Premiums on Corporate Surety Bonds	200	
Total County Clerk's Office		\$ 106,820

Other Finance

Trustee's Commission	\$ 50,022	
Total Other Finance		50,022

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 49,372	
Clerical Personnel	28,687	
Jury and Witness Fees	7,912	
Social Security	5,972	
Unemployment Compensation	196	
Communication	2,312	
Dues and Memberships	359	
Legal Notices, Recording, and Court Costs	64	
Postal Charges	427	
Office Supplies	5,837	
Premiums on Corporate Surety Bonds	225	
Other Charges	875	
Total Circuit Court		102,238

General Sessions Court

Judge(s)	\$ 58,089	
Social Security	4,444	
Dues and Memberships	215	
Travel	1,062	
Total General Sessions Court		63,810

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	49,372	
Clerical Personnel		17,308	
Social Security		5,101	
Unemployment Compensation		100	
Communication		2,997	
Dues and Memberships		359	
Operating Lease Payments		1,868	
Maintenance and Repair Services - Office Equipment		325	
Postal Charges		300	
Travel		945	
Office Supplies		4,540	
Premiums on Corporate Surety Bonds		200	
Office Equipment		360	
Total Chancery Court			\$ 83,775

District Attorney General

Other Contracted Services	\$	13,265	
Total District Attorney General			13,265

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,310	
Deputy(ies)		123,299	
Investigator(s)		35,365	
In-Service Training		10,108	
Social Security		17,180	
Unemployment Compensation		795	
Dues and Memberships		180	
Maintenance and Repair Services - Vehicles		604	
Gasoline		50,828	
Law Enforcement Supplies		2,482	
Lubricants		593	
Tires and Tubes		2,876	
Uniforms		1,677	
Vehicle Parts		2,466	
Liability Insurance		35,410	
Premiums on Corporate Surety Bonds		3,925	
Vehicle and Equipment Insurance		26,400	
Other Charges		3,414	
Total Sheriff's Department			376,912

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Medical Personnel	\$	20,888	
Dispatchers/Radio Operators		110,847	
Guards		224,955	
Clerical Personnel		18,367	
Cafeteria Personnel		19,026	
Social Security		30,064	
Unemployment Compensation		2,520	
Communication		16,731	
Operating Lease Payments		3,392	
Maintenance Agreements		98	
Maintenance and Repair Services - Buildings		3,079	
Maintenance and Repair Services - Equipment		4,164	
Medical and Dental Services		135,887	
Postal Charges		2,170	
Transportation - Other than Students		180	
Travel		8,233	
Other Contracted Services		7,739	
Custodial Supplies		20,429	
Drugs and Medical Supplies		3,562	
Electricity		58,731	
Food Supplies		155,824	
General Construction Materials		2,371	
Office Supplies		2,736	
Water and Sewer		30,138	
Other Supplies and Materials		6,006	
Office Equipment		499	
Other Equipment		6,354	
Total Jail			\$ 894,990

Juvenile Services

Youth Service Officer(s)	\$	10,609	
Social Security		812	
Unemployment Compensation		84	
Communication		623	
Contracts with Other Public Agencies		570	
Dues and Memberships		345	
Travel		945	
Other Contracted Services		8,496	
Office Supplies		150	
Total Juvenile Services			22,634

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Commissary

Other Supplies and Materials	\$ 19,124	
Other Charges	32,643	
Total Commissary		\$ 51,767

Civil Defense

Other Salaries and Wages	\$ 5,400	
Social Security	413	
Unemployment Compensation	65	
Communication	2	
Legal Notices, Recording, and Court Costs	265	
Other Contracted Services	450	
Diesel Fuel	942	
Other Supplies and Materials	399	
Vehicle and Equipment Insurance	20,530	
Total Civil Defense		28,466

Rescue Squad

Contributions	\$ 1,400	
Total Rescue Squad		1,400

Other Emergency Management

Other Equipment	\$ 6,996	
Total Other Emergency Management		6,996

County Coroner/Medical Examiner

Other Contracted Services	\$ 15,000	
Total County Coroner/Medical Examiner		15,000

Other Public Safety

Road Signs	\$ 2,372	
Total Other Public Safety		2,372

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 9,072	
Social Security	694	
Unemployment Compensation	92	
Travel	1,192	
Other Supplies and Materials	30,306	
Total Local Health Center		41,356

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Supervisor/Director	\$	39,475	
Medical Personnel		256,731	
Clerical Personnel		108	
Part-time Personnel		77,017	
Overtime Pay		198	
In-Service Training		400	
Social Security		28,030	
Unemployment Compensation		1,530	
Communication		5,210	
Data Processing Services		43,370	
Dues and Memberships		415	
Legal Notices, Recording, and Court Costs		43	
Licenses		800	
Maintenance and Repair Services - Buildings		1,169	
Maintenance and Repair Services - Vehicles		4,757	
Medical and Dental Services		1,575	
Postal Charges		540	
Travel		233	
Other Contracted Services		738	
Custodial Supplies		1,069	
Diesel Fuel		28,126	
Drugs and Medical Supplies		40,011	
Electricity		7,390	
Lubricants		603	
Office Supplies		3,104	
Tires and Tubes		3,043	
Uniforms		3,317	
Vehicle Parts		5,769	
Other Supplies and Materials		851	
Refunds		8,469	
Vehicle and Equipment Insurance		21,277	
Communication Equipment		85	
Motor Vehicles		77,227	
Health Equipment		15,368	
Total Ambulance/Emergency Medical Services			\$ 678,048

Alcohol and Drug Programs

Other Supplies and Materials	\$	216	
Other Charges		548	
Total Alcohol and Drug Programs			764

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

Contributions	\$ 415	
Total Crippled Children Services	<u>415</u>	\$ 415

Other Local Health Services

Part-time Personnel	\$ 2,940	
Social Security	225	
Unemployment Compensation	35	
Travel	63	
Other Supplies and Materials	592	
Total Other Local Health Services	<u>3,855</u>	3,855

Sanitation Management

Guards	\$ 18,756	
Clerical Personnel	2,400	
Other Salaries and Wages	300	
Social Security	1,641	
Unemployment Compensation	95	
Other Supplies and Materials	4,276	
Total Sanitation Management	<u>27,468</u>	27,468

Other Public Health and Welfare

Food Supplies	\$ 21	
Other Supplies and Materials	309	
Other Charges	240	
Total Other Public Health and Welfare	<u>570</u>	570

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 6,869	
Total Senior Citizens Assistance	<u>6,869</u>	6,869

Libraries

Librarians	\$ 21,265	
Part-time Personnel	7,055	
Social Security	2,166	
Unemployment Compensation	179	
Communication	132	
Contributions	14,600	
Library Books/Media	4,144	
Total Libraries	<u>49,541</u>	49,541

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Supervisor/Director	\$	1,298	
Part-time Personnel		1,820	
Social Security		239	
Unemployment Compensation		22	
Communication		92	
Electricity		977	
Other Supplies and Materials		631	
Other Charges		98	
Total Other Social, Cultural, and Recreational			\$ 5,177

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	2,123	
Rentals		6,000	
Other Contracted Services		26,419	
Custodial Supplies		35	
Electricity		1,129	
Office Supplies		469	
Water and Sewer		888	
Office Equipment		3,000	
Total Agriculture Extension Service			40,063

Soil Conservation

Communication	\$	528	
Contributions		7,760	
Rentals		3,840	
Electricity		605	
Total Soil Conservation			12,733

Other Operations

Public Transportation

Supervisor/Director	\$	23,976	
Bus Drivers		109,241	
Social Security		10,486	
Unemployment Compensation		585	
Legal Notices, Recording, and Court Costs		489	
Maintenance and Repair Services - Vehicles		3,335	
Travel		522	
Gasoline		39,132	
Lubricants		2,241	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Public Transportation (Cont.)

Office Supplies	\$	518	
Tires and Tubes		3,358	
Vehicle Parts		11,917	
Vehicle and Equipment Insurance		23,115	
Other Charges		<u>1,792</u>	
Total Public Transportation	\$		230,707

Veterans' Services

Other Salaries and Wages	\$	4,708	
Social Security		360	
Unemployment Compensation		57	
Communication		<u>1,291</u>	
Total Veterans' Services			6,416

Employee Benefits

State Retirement	\$	<u>29,016</u>	
Total Employee Benefits			29,016

Principal on Debt

General Government

Principal on Notes	\$	21,633	
Principal on Capital Leases		<u>37,206</u>	
Total General Government			58,839

Interest on Debt

General Government

Interest on Notes	\$	1,925	
Interest on Capital Leases		<u>1,526</u>	
Total General Government			3,451

Other Debt Service

General Government

Other Debt Service	\$	<u>696</u>	
Total General Government			<u>696</u>

Total General Fund			\$	3,692,678
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	16,269	
Truck Drivers		39,003	
Other Salaries and Wages		28,475	
Social Security		6,456	
Unemployment Compensation		430	
Contracts with Private Agencies		90,634	
Maintenance and Repair Services - Equipment		2,661	
Other Contracted Services		6,737	
Diesel Fuel		26,118	
Electricity		2,389	
Lubricants		1,145	
Tires and Tubes		1,490	
Vehicle Parts		1,429	
Other Supplies and Materials		471	
Trustee's Commission		4,259	
Vehicle and Equipment Insurance		5,414	
Other Charges		90	
Solid Waste Equipment		4,597	
Total Sanitation Management			\$ 238,067

Total Solid Waste/Sanitation Fund \$ 238,067

Health Department Fund

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	5,951	
Social Security		455	
Unemployment Compensation		71	
Communication		5,045	
Operating Lease Payments		2,205	
Maintenance Agreements		597	
Maintenance and Repair Services - Buildings		5,793	
Maintenance and Repair Services - Equipment		75	
Pest Control		342	
Postal Charges		2,797	
Other Contracted Services		15	
Custodial Supplies		2,340	
Drugs and Medical Supplies		246	
Electricity		12,659	
Office Supplies		1,982	

(Continued)

Exhibit J-7

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

Health Department Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Water and Sewer	\$	1,649	
Other Supplies and Materials		124	
Building and Contents Insurance		1,470	
Other Charges		2,399	
Other Equipment		886	
Total Local Health Center			\$ 47,101

Total Health Department Fund \$ 47,101

Other Special Revenue Fund

Finance

Purchasing

Purchasing Personnel	\$	3,333	
Social Security		255	
Unemployment Compensation		40	
Total Purchasing			\$ 3,628

Public Health and Welfare

Other Local Health Services

Supervisor/Director	\$	80,975	
Medical Personnel		109,773	
Clerical Personnel		37,673	
Other Salaries and Wages		31,973	
In-Service Training		69	
Social Security		19,873	
Unemployment Compensation		872	
Audit Services		2,500	
Communication		6,827	
Dues and Memberships		500	
Operating Lease Payments		1,051	
Legal Notices, Recording, and Court Costs		772	
Licenses		1,230	
Maintenance and Repair Services - Buildings		11,160	
Medical and Dental Services		741	
Postal Charges		926	
Travel		18,061	
Other Contracted Services		1,150,534	
Custodial Supplies		92	
Drugs and Medical Supplies		6,878	
Electricity		2,206	

(Continued)

Exhibit J-7

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

Other Special Revenue Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

General Construction Materials	\$	4,917	
Office Supplies		6,214	
Water and Sewer		598	
Other Supplies and Materials		1,469	
Liability Insurance		285	
Refunds		1,934	
Other Charges		600	
Office Equipment		3,424	
Total Other Local Health Services			\$ 1,504,127

Total Other Special Revenue Fund \$ 1,507,755

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	157	
Total Circuit Court Clerk			\$ 157

General Sessions Court

Constitutional Officers' Operating Expenses	\$	128	
Total General Sessions Court			128

Total Constitutional Officers - Fees Fund 285

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	54,310	
Accountants/Bookkeepers		22,500	
Laborers		301,584	
Overtime Pay		12,194	
Data Processing Services		4,663	
Office Supplies		1,670	
Utilities		11,091	
Total Administration			\$ 408,012

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	219,969	
Asphalt - Hot Mix		116,021	
Crushed Stone		199,881	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pipe - Metal	\$	6,661	
Other Supplies and Materials		19,992	
Total Highway and Bridge Maintenance			\$ 562,524

Operation and Maintenance of Equipment

Diesel Fuel	\$	56,912	
Equipment and Machinery Parts		18,801	
Gasoline		48,664	
Lubricants		2,766	
Tires and Tubes		11,076	
Total Operation and Maintenance of Equipment			138,219

Other Charges

Dues and Memberships	\$	1,952	
Trustee's Commission		13,189	
Vehicle and Equipment Insurance		37,182	
Other Charges		5,788	
Total Other Charges			58,111

Employee Benefits

Social Security	\$	31,916	
State Retirement		3,307	
Life Insurance		9,564	
Unemployment Compensation		3,670	
Other Fringe Benefits		6,647	
Workers' Compensation Insurance		23,557	
Total Employee Benefits			78,661

Capital Outlay

Operating Lease Payments	\$	1,969	
Highway Equipment		875	
Total Capital Outlay			2,844

Total Highway/Public Works Fund \$ 1,248,371

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	273,697
Principal on Notes		18,333

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

General Government (Cont.)

Principal on Other Loans	\$ 86,800	
Total General Government		\$ 378,830

Education

Principal on Other Loans	\$ 289,200	
Total Education		289,200

Interest on Debt

General Government

Interest on Bonds	\$ 319,150	
Interest on Notes	1,568	
Interest on Other Loans	<u>38,285</u>	
Total General Government		359,003

Education

Interest on Other Loans	\$ 354,191	
Total Education		354,191

Other Debt Service

General Government

Trustee's Commission	\$ 8,782	
Other Debt Service	<u>7,755</u>	
Total General Government		16,537

Education

Other Debt Service	\$ 52,166	
Total Education		<u>52,166</u>

Total General Debt Service Fund		\$ 1,449,927
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General Capital Projects Fund

Capital Projects

General Administration Projects

Building Improvements	\$ 11,805	
Total General Administration Projects		\$ 11,805

Public Health and Welfare Projects

Engineering Services	\$ 14,283	
Maintenance and Repair Services - Buildings	1,189	
Other Contracted Services	26,886	

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Public Health and Welfare Projects (Cont.)</u>		
Other Construction	<u>\$ 360,501</u>	
Total Public Health and Welfare Projects		<u>\$ 402,859</u>
Total General Capital Projects Fund		<u>\$ 414,664</u>
Total Governmental Funds - Primary Government		<u><u>\$ 8,598,848</u></u>

Exhibit J-8

Hancock County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Hancock County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,331,313	
Career Ladder Program	48,315	
Career Ladder Extended Contracts	46,600	
Non-certified Substitute Teachers	21,600	
Social Security	143,466	
State Retirement	151,324	
Medical Insurance	120,169	
Unemployment Compensation	7,884	
Employer Medicare	33,553	
Instructional Supplies and Materials	1,235	
Textbooks	73,080	
Other Supplies and Materials	10,967	
Total Regular Instruction Program		\$ 2,989,506

Special Education Program

Teachers	\$ 415,803	
Career Ladder Program	7,500	
Educational Assistants	62,086	
Non-certified Substitute Teachers	4,756	
Social Security	28,590	
State Retirement	26,414	
Medical Insurance	23,113	
Unemployment Compensation	2,119	
Employer Medicare	6,686	
Other Contracted Services	21,593	
Total Special Education Program		598,660

Vocational Education Program

Teachers	\$ 295,047	
Career Ladder Program	5,000	
Educational Assistants	9,718	
Non-certified Substitute Teachers	3,036	
Social Security	18,602	
State Retirement	18,723	
Medical Insurance	8,497	
Unemployment Compensation	990	
Employer Medicare	4,351	
Instructional Supplies and Materials	651	
T&I Construction Materials	52,165	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Other Charges	\$ 570	
Total Vocational Education Program		\$ 417,350

Adult Education Program

Teachers	\$ 5,436	
Other Salaries and Wages	14,348	
Social Security	1,216	
State Retirement	275	
Medical Insurance	178	
Unemployment Compensation	159	
Employer Medicare	284	
Other Supplies and Materials	560	
Total Adult Education Program		22,456

Support Services

Attendance

Other Salaries and Wages	\$ 42,182	
Social Security	2,609	
Unemployment Compensation	235	
Employer Medicare	610	
Total Attendance		45,636

Health Services

Other Salaries and Wages	\$ 64,665	
Social Security	3,550	
State Retirement	3,149	
Medical Insurance	6,067	
Unemployment Compensation	235	
Employer Medicare	830	
Travel	3,410	
Other Contracted Services	5,550	
Other Supplies and Materials	14,280	
Other Charges	3,918	
Total Health Services		105,654

Other Student Support

Career Ladder Program	\$ 2,000	
Guidance Personnel	95,660	
School Resource Officer	46,646	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Salaries and Wages	\$ 39,433	
Social Security	10,908	
State Retirement	6,094	
Medical Insurance	6,067	
Unemployment Compensation	956	
Employer Medicare	2,551	
Total Other Student Support		\$ 210,315

Regular Instruction Program

Supervisor/Director	\$ 58,224	
Career Ladder Program	5,000	
Librarians	79,870	
Materials Supervisor	46,387	
Instructional Computer Personnel	41,398	
Educational Assistants	36,636	
Other Salaries and Wages	49,035	
Social Security	19,099	
State Retirement	11,824	
Medical Insurance	6,067	
Unemployment Compensation	1,763	
Employer Medicare	4,467	
Consultants	3,000	
Maintenance and Repair Services - Equipment	24,612	
Travel	3,631	
Library Books/Media	5,599	
Periodicals	367	
Other Supplies and Materials	11,031	
In Service/Staff Development	2,250	
Other Charges	13,600	
Total Regular Instruction Program		423,860

Special Education Program

Supervisor/Director	\$ 64,086
Career Ladder Program	1,000
Social Security	3,511
State Retirement	4,061
Medical Insurance	6,067
Unemployment Compensation	122
Employer Medicare	821

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Travel	\$ 2,523	
Other Supplies and Materials	187	
Total Special Education Program		\$ 82,378

Vocational Education Program

Supervisor/Director	\$ 54,018	
Career Ladder Program	1,000	
Social Security	3,227	
State Retirement	3,433	
Medical Insurance	2,431	
Unemployment Compensation	122	
Employer Medicare	755	
Travel	896	
Other Equipment	9,900	
Total Vocational Education Program		75,782

Adult Programs

Supervisor/Director	\$ 28,512	
Career Ladder Program	1,000	
Social Security	1,740	
State Retirement	1,842	
Medical Insurance	1,187	
Unemployment Compensation	122	
Employer Medicare	407	
Other Charges	640	
Total Adult Programs		35,450

Other Programs

On-Behalf Payments to OPEB	\$ 25,315	
Total Other Programs		25,315

Board of Education

Board and Committee Members Fees	\$ 7,500	
Social Security	465	
Unemployment Compensation	130	
Employer Medicare	109	
Audit Services	4,750	
Dues and Memberships	8,254	
Legal Services	3,769	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Travel	\$	6,852	
Judgments		10,200	
Liability Insurance		75,287	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		29,870	
Other Charges		54,045	
Total Board of Education			\$ 201,581

Director of Schools

County Official/Administrative Officer	\$	77,353	
Social Security		4,459	
State Retirement		4,827	
Medical Insurance		6,067	
Unemployment Compensation		122	
Employer Medicare		1,043	
Other Fringe Benefits		1,375	
Communication		13,877	
Postal Charges		911	
Travel		698	
Total Director of Schools			110,732

Office of the Principal

Principals	\$	114,264	
Career Ladder Program		2,000	
Assistant Principals		55,044	
Secretary(ies)		40,530	
Social Security		13,079	
State Retirement		10,690	
Medical Insurance		487	
Unemployment Compensation		744	
Employer Medicare		3,059	
Travel		158	
Total Office of the Principal			240,055

Fiscal Services

Accountants/Bookkeepers	\$	61,980	
Social Security		3,819	
Unemployment Compensation		244	
Employer Medicare		893	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Travel	\$	309	
Other Contracted Services		7,116	
Other Supplies and Materials		5,782	
Other Charges		78	
Total Fiscal Services			\$ 80,221

Operation of Plant

Custodial Personnel	\$	100,208	
Social Security		6,364	
Unemployment Compensation		948	
Employer Medicare		1,488	
Maintenance and Repair Services - Buildings		3	
Maintenance and Repair Services - Equipment		6,209	
Disposal Fees		3,542	
Other Contracted Services		4,343	
Custodial Supplies		11,161	
Electricity		267,726	
Natural Gas		25,015	
Water and Sewer		24,726	
Total Operation of Plant			451,733

Maintenance of Plant

Supervisor/Director	\$	15,234	
Social Security		984	
Unemployment Compensation		87	
Employer Medicare		230	
Maintenance and Repair Services - Buildings		15,591	
Maintenance and Repair Services - Equipment		47,563	
Other Supplies and Materials		114	
Total Maintenance of Plant			79,803

Transportation

Supervisor/Director	\$	20,859	
Mechanic(s)		11,147	
Bus Drivers		156,298	
Other Salaries and Wages		28,512	
Social Security		13,344	
State Retirement		1,779	
Medical Insurance		2,752	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Unemployment Compensation	\$	1,942	
Employer Medicare		3,121	
Maintenance and Repair Services - Vehicles		29,341	
Travel		450	
Diesel Fuel		69,625	
Gasoline		38,941	
Tires and Tubes		6,350	
Other Charges		3,903	
Transportation Equipment		197,954	
Total Transportation			\$ 586,318

Central and Other

Other Salaries and Wages	\$	152,665	
Social Security		8,915	
State Retirement		5,229	
Medical Insurance		6,161	
Unemployment Compensation		861	
Employer Medicare		2,085	
Travel		1,020	
Office Supplies		63	
Other Supplies and Materials		25,933	
Other Charges		5,745	
Total Central and Other			208,677

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	29,000	
Other Salaries and Wages		11,469	
Social Security		2,475	
State Retirement		1,810	
Unemployment Compensation		199	
Employer Medicare		579	
Other Charges		2,257	
Total Community Services			47,789

Early Childhood Education

Other Salaries and Wages	\$	325,670	
Social Security		20,039	
State Retirement		12,572	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Medical Insurance	\$ 3,511	
Unemployment Compensation	1,270	
Employer Medicare	4,687	
Other Supplies and Materials	39,179	
Total Early Childhood Education		\$ 406,928

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 75,897	
Total Regular Capital Outlay		75,897

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 656,950	
Total Education		656,950

Total General Purpose School Fund \$ 8,179,046

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 299,236	
Educational Assistants	31,372	
Non-certified Substitute Teachers	3,874	
Social Security	20,103	
State Retirement	18,686	
Medical Insurance	9,722	
Unemployment Compensation	1,211	
Employer Medicare	4,701	
Other Supplies and Materials	21,942	
Regular Instruction Equipment	29,930	
Total Regular Instruction Program		\$ 440,777

Special Education Program

Educational Assistants	\$ 158,675	
Social Security	9,782	
Unemployment Compensation	1,746	
Employer Medicare	2,286	
Other Contracted Services	31,244	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Textbooks	\$	186	
Other Supplies and Materials		11,387	
Total Special Education Program			\$ 215,306

Vocational Education Program

Educational Assistants	\$	10,033	
Social Security		600	
Unemployment Compensation		113	
Employer Medicare		140	
Other Contracted Services		750	
Instructional Supplies and Materials		11,525	
Other Charges		1,980	
Vocational Instruction Equipment		5,991	
Total Vocational Education Program			31,132

Support Services

Other Student Support

Other Salaries and Wages	\$	51,882	
Social Security		3,202	
State Retirement		3,237	
Unemployment Compensation		122	
Employer Medicare		749	
Maintenance and Repair Services - Equipment		3,742	
Travel		6,000	
Other Contracted Services		6,206	
In Service/Staff Development		1,727	
Total Other Student Support			76,867

Regular Instruction Program

Clerical Personnel	\$	17,755	
Social Security		1,085	
Unemployment Compensation		113	
Employer Medicare		254	
Maintenance and Repair Services - Equipment		1,400	
Travel		6,497	
Library Books/Media		1,856	
Other Supplies and Materials		33,060	
In Service/Staff Development		29,868	
Other Equipment		58,488	
Total Regular Instruction Program			150,376

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Travel	\$	592	
Other Supplies and Materials		500	
Other Charges		370	
Total Special Education Program			\$ 1,462

Vocational Education Program

Travel	\$	700	
Total Vocational Education Program			700

Transportation

Bus Drivers	\$	19,405	
Social Security		1,204	
Unemployment Compensation		178	
Employer Medicare		283	
Motor Vehicles		48,959	
Total Transportation			70,029

Operation of Non-Instructional Services

Early Childhood Education

Other Salaries and Wages	\$	49,509	
Social Security		3,050	
Unemployment Compensation		403	
Employer Medicare		713	
Other Contracted Services		3,750	
Other Supplies and Materials		75	
Total Early Childhood Education			57,500

Total School Federal Projects Fund \$ 1,044,149

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,354	
Cafeteria Personnel		130,888	
Social Security		11,087	
State Retirement		3,017	
Unemployment Compensation		1,429	
Employer Medicare		2,593	
Maintenance and Repair Services - Equipment		7,421	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Travel	\$	655	
Other Contracted Services		2,386	
Food Supplies		354,772	
Other Supplies and Materials		5,004	
In Service/Staff Development		136	
Total Food Service		<u>          </u>	\$ <u>567,742</u>

Total Central Cafeteria Fund \$ 567,742

Total Governmental Funds - Hancock County School Department \$ 9,790,937

Exhibit J-9

Hancock County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Change  
in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 155,789
Total Cash Receipts	<u>\$ 155,789</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 154,231
Trustee's Commission	1,558
Total Cash Disbursements	<u>\$ 155,789</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

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**SINGLE AUDIT SECTION**

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

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

September 15, 2008

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

To the County Mayor and County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hancock County's basic financial statements and have issued our report thereon dated September 15, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Hancock County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hancock County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 08.01, 08.02, 08.03, 08.04, 08.06, and 08.10.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08.01, 08.02, 08.03, and 08.06 to be material weaknesses.

### Compliance and Other Matters

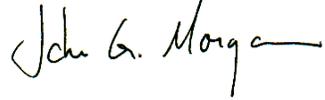
As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.05, 08.07, and 08.08.

We consider item 08.09 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Hancock County in separate communications.

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

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

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/yu

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

September 15, 2008

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hancock County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Hancock County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hancock County's management. Our responsibility is to express an opinion on Hancock County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hancock County's compliance with those requirements and

performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hancock County's compliance with those requirements.

In our opinion, Hancock County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Hancock County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hancock County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hancock County's internal control over compliance.

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

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

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

#### Schedule of Expenditures of Federal Awards

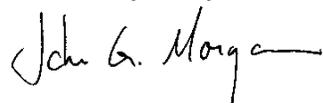
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County as of and for the year ended June 30, 2008, and have issued our report thereon dated September 15, 2008. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Hancock County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the

date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hancock County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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Hancock County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 5,387
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	24,957 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	123,674
National School Lunch Program	10.555	N/A	315,486 (3)
Total U.S. Department of Agriculture			<u>\$ 469,504</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-06-24	\$ 401,669
Total U.S. Department of Housing and Urban Development			<u>\$ 401,669</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	GG-07-12697-00	\$ 8,498
Total U.S. Department of Justice			<u>\$ 8,498</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	GG-07-12440-00	\$ 131,627
Total U.S. Department of Transportation			<u>\$ 131,627</u>
Appalachian Regional Commission:			
Passed-through Marshall University:			
Appalachian Area Development	23.002	(2)	\$ 570
Total Appalachian Regional Commission			<u>\$ 570</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 36,459
Title I Grants to Local Educational Agencies	84.010	N/A	497,818
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	295,119
Special Education - Preschool Grants	84.173	N/A	8,041
Career and Technical Education - Basic Grants to States	84.048	N/A	33,211
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	8,543
Even Start - State Educational Agencies	84.213	(2)	57,500
State Grants for Innovative Programs	84.298	N/A	54,298
Education Technology State Grants	84.318	(2)	5,152
Rural Education	84.358	N/A	29,930
Improving Teacher Quality State Grants	84.367	N/A	54,538
Total U.S. Department of Education			<u>\$ 1,080,609</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	GG-08-21077-00	\$ 25,690
Total U.S. Department of Health and Human Services			<u>\$ 25,690</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
Homeland Security Grant Program	97.067	Z-05025163-01	\$ 18,323
Total U.S. Department of Homeland Security			<u>\$ 18,323</u>
Total Expenditures of Federal Awards			<u>\$ 2,136,490</u>
			<u>Contract Number</u>
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 6,750
Litter Program - State Department of Transportation	N/A	(2)	26,570
Waste Tire Grant - State Department of Transportation	N/A	(2)	6,282
Adult Basic Education - State Department of Education	N/A	(2)	19,350
Families Resource Center Grant - State Department of Education	N/A	(2)	33,300
Early Childhood Education Pilot Project - State Department of Education	N/A	MW8ACX	203,463
Safe Schools Act Grant - State Department of Education	N/A	(2)	8,100
Voluntary Pre-K for Tennessee - State Department of Education	N/A	W8AAX	406,927
Health Department Program - State Department of Health	N/A	Z-08-020349-00	2,770
State Reappraisal - Comptroller of the Treasury	N/A	(2)	3,535
Total State Grants			<u>\$ 717,047</u>

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

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

(2) Information not available.

(3) Total for CFDA. No. 10.555 is \$340,443.

Hancock County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hancock County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.02(c)	155	Expenditures exceeded appropriations approved by the County Commission
07.03	156	The office had deficiencies in purchasing procedures
07.04(b)	157	Deficiencies were noted in Ambulance Service operations

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.05	158	Execution docket trial balances did not reconcile with cash journal accounts

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.06	159	A central system of accounting, budgeting, and purchasing was not adopted
07.07	159	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**HANCOCK COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Hancock County disclosed significant deficiencies in internal control. Four of these deficiencies were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Hancock County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. Our audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the HOME Investment Partnerships Program (CFDA No. 14.239), and the Title I Grants to Local Educational 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. Hancock County did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses from the county mayor and trustee 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.

### **HANCOCK COUNTY AND HANCOCK COUNTY SCHOOL DEPARTMENT**

**FINDING 08.01**      **HANCOCK COUNTY AND THE HANCOCK COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE THEIR FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Hancock County's and the Hancock County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the county's and the School Department's external auditors, to assist Hancock County and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

### **RECOMMENDATION**

Hancock County and the School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

## OFFICE OF COUNTY MAYOR

### FINDING 08.02      **THE GENERAL DEBT SERVICE FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under Government Auditing  
Standards)

Generally accepted accounting principles require Hancock County to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, certain general ledger account balances in the General Debt Service Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### RECOMMENDATION

Hancock County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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### FINDING 08.03      **AMBULANCE SERVICE OPERATIONS WERE NOT RECONCILED WITH A CONTRACTED BILLING AGENCY**

(Internal Control – Material Weakness Under Government Auditing  
Standards)

Our examination of Ambulance Service operations revealed that a contracted billing agency maintains all records related to patient charges and recording subsequent payments. The Ambulance Service receives the payments and explanation of benefits forms and forwards copies to the billing agency. However, contrary to sound business practice, management has not required the billing agency to furnish the Ambulance Service any documentation related to the actual billing and posting of payments or write-offs to patient accounts. Therefore, the Ambulance Service is unable to perform any type of account reconciliations.

### RECOMMENDATION

Adequate records should be maintained by the Ambulance Service so reconciliations can be regularly performed to ensure the billing agency is properly billing trip tickets and that payments and write-offs are properly posted to individual patients' accounts.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

The Ambulance Service has contracted with EMS Consultants to handle the billing of insurance companies and individuals. The Ambulance Service director contacted EMS Consultants and was advised that he would receive a program allowing him to access the billing information, print monthly reports of accounts, generate reports of monthly progress, and the individual billing status of clients. The access of these accounts will allow the director to perform various reconciliations.

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### FINDING 08.04      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit of the County Mayor's Office revealed the following purchasing deficiencies. These deficiencies can be attributed to the failure of management to correct previously communicated audit findings.

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

### RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

In May 2008, the county legislative body authorized the mayor to hire a purchasing agent and purchase a computer system from Local Government Data Processing Corporation to implement a formal purchase order system. From May through September 2008, procedures manuals were developed, training was conducted for elected officials and authorized departmental personnel, and the system was implemented. On October 1, 2008, we will implement the full computer based purchasing procedures.

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FINDING 08.05      **GENERAL      FUND      EXPENDITURES      EXCEEDED  
APPROPRIATIONS IN THE JAIL MAJOR APPROPRIATION  
CATEGORY**  
(Material Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission by \$123,840 in the Jail major appropriation category (the legal level of control) of the General Fund. 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.” This deficiency exists because management failed to hold spending to the limit authorized by the County Commission, which results in unauthorized expenditures.

RECOMMENDATION

County officials should ensure that expenditures are held within appropriations approved by the County Commission.

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OFFICE OF ROAD SUPERINTENDENT

FINDING 08.06      **A MATERIAL AUDIT ADJUSTMENT WAS REQUIRED FOR  
PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under Government Auditing  
Standards)

Generally accepted accounting principles require the Road Department to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, certain general ledger account balances were not materially correct, and an audit adjustment was required for the financial statements to be materially correct at year-end. Therefore, the Road Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the Road Department in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the Road Department has ineffective controls over the maintenance of its accounting records which are used to prepare the

financial statements, including the related notes to the financial statements. We presented an audit adjustment to management that they approved and posted to properly present the financial statements in this report.

**RECOMMENDATION**

The Road Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

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

**FINDING 08.07      EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Material Noncompliance Under Government Auditing Standards)

At June 30, 2008, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. The clerk held unidentified funds of \$58,604 and \$42,899 in Circuit and General Sessions Courts, respectively, which were carried forward from the former clerk who left office August 31, 2002. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

**RECOMMENDATION**

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

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**OFFICE OF ASSESSOR OF PROPERTY**

**FINDING 08.08      THE STATE DIVISION OF PROPERTY ASSESSMENTS NOTED DEFICIENCIES IN THE MAINTENANCE OF VARIOUS RECORDS BY THE ASSESSOR OF PROPERTY**  
(Noncompliance Under Government Auditing Standards)

The monitoring reports prepared by the state Division of Property Assessments disclosed the following deficiencies in the maintenance of records of the assessor of property.

- A. The assessor of property had not completed map maintenance, assessment changes, and deed transfers for fiscal year 2008. Section 67-5-508, Tennessee Code Annotated (TCA), requires the assessor to note the current classification and valuation of all taxable property prior to May 20 each year. As a result of assessment records not being updated timely, assessment change notices had not been mailed to taxpayers as of June 11, 2008.
- B. Rollback taxes were not calculated by the assessor for changes in use or ownership of greenbelt property, which might result in the assessment of rollback taxes as required by Section 67-5-1008(d)(1), TCA.
- C. Proration of values for improvements, which were completed and ready for occupancy and improvements that were moved, damaged, destroyed or demolished, after January 1 and before September 1, were not made in accordance with Sections 67-5-603(a)(1) and 67-5-603(b)(1), TCA.

**RECOMMENDATION**

Assessment records should be maintained on a current basis with current classifications and assessments recorded prior to May 20 of each year. Rollback taxes should be calculated for all greenbelt property that had a change of use or ownership as required by state statute. Improvement values should be prorated in compliance with state statutes. Change notices should be mailed to all applicable taxpayers upon updating assessment records.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 08.09**      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING WAS NOT ADOPTED**  
 (Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practice would indicate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

**RECOMMENDATION**

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

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FINDING 08.10

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

Duties were not segregated adequately among officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Home Health. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – TRUSTEE

Segregation of duties is impossible when I have only one part-time employee who works only 32 hours a week. I understand this is a deficiency in state ordered internal control and must be reported by state audit. I do not think this is fair to counties with limited funds. We try just as hard as larger counties to comply.

AUDITOR'S REBUTTAL

We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, our professional standards require that we bring this matter to your attention.

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

There were no findings and questioned costs for federal programs.

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**HANCOCK COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.