



**ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2009



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ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
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

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Auditor 4

PHILIP TOBY, CGFM
GREG BRUSH
State Auditors

This financial report is available at www.tn.gov/comptroller

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Audit Highlights

Annual Financial Report
Hancock County, Tennessee
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2009.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do 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 11 findings and recommendations, which we have reviewed with Hancock County management. Detailed findings and recommendations 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 financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ The county did not employ an architect or engineer for a construction project.
- ◆ The office had deficiencies in the purchase order system.
- ◆ The office did not file Reports on Debt Obligation with the state director of Local Finance for a capital outlay note and a capital lease that were issued during the year.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ At June 30, 2009, the School Federal Projects Fund had a cash overdraft of \$25,195.
-

OFFICES OF TRUSTEE AND COUNTY CLERK

- ◆ The offices had deficiencies in computer system backup procedures.
-

OFFICE OF COUNTY CLERK

- ◆ The office did not review its software audit logs.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Execution docket trial balances in Circuit and General Sessions Courts did not reconcile with cash journal accounts by substantial amounts.
-

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

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

INTRODUCTORY SECTION

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Hancock County Officials
June 30, 2009

Officials

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

Board of County Commissioners

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

Board of Education

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

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

September 22, 2009

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, 2009, 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, 2009, 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, 2009, 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 22, 2009, on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Hancock County has implemented the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

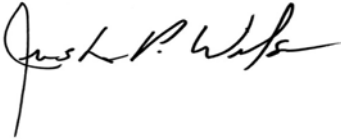
The management of Hancock County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and other postemployment benefits information on pages 69 through 77 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 black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Hancock County, Tennessee
Statement of Net Assets
June 30, 2009

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Hancock County School Department</u>
<u>ASSETS</u>		
Cash	\$ 2,370	\$ 2,227
Equity in Pooled Cash and Investments	5,091,361	2,819,146
Accounts Receivable	447,287	275
Allowance for Uncollectibles	(103,728)	0
Due from Other Governments	437,125	257,689
Property Taxes Receivable	1,688,388	662,926
Allowance for Uncollectible Property Taxes	(93,898)	(36,868)
Notes Receivable - Long-term	0	7,669
Deferred Charges - Debt Issuance Cost	35,100	0
Capital Lease Receivable	5,553,900	0
Capital Assets:		
Assets Not Depreciated:		
Land	396,524	453,150
Construction in Progress	0	96,642
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,104,608	11,939,300
Machinery and Equipment	465,744	630,511
Infrastructure	15,332,792	0
Total Assets	<u>\$ 31,357,573</u>	<u>\$ 16,832,667</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 135,972	\$ 102,104
Accrued Payroll	8,853	0
Accrued Interest Payable	154,502	0
Payroll Deductions Payable	228	0
Cash Overdraft	0	25,195
Due to State of Tennessee	500	0
Deferred Revenue - Current Property Taxes	1,532,572	601,746
Other Current Liabilities	0	77,858
Noncurrent Liabilities:		
Due Within One Year	841,839	7,500
Due in More than One Year	17,121,117	97,754
Total Liabilities	<u>\$ 19,795,583</u>	<u>\$ 912,157</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	\$ 11,623,576	\$ 0
Invested in Capital Assets	0	13,119,603
Restricted for:		
Solid Waste/Sanitation	68,185	0
Highways/Public Works	994,800	0
Debt Service	6,947,758	0
Capital Projects	881,724	0
State and Federal Financial Assistance Programs	6,430	688,011
Other Purposes	21,585	0
Unrestricted	<u>(8,982,068)</u>	<u>2,112,896</u>
Total Net Assets	<u>\$ 11,561,990</u>	<u>\$ 15,920,510</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, 2009

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	Governmental Activities	Governmental Activities	Department
<u>Primary Government:</u>							
<u>Governmental Activities:</u>							
General Government	\$ 508,101	\$ 24,893	\$ 11,817	\$ 0	\$ (471,391)	\$ 0	0
Finance	448,100	158,024	3,641	0	(286,435)	0	0
Administration of Justice	280,827	99,038	11,250	0	(170,539)	0	0
Public Safety	1,565,664	1,118,683	92,924	0	(354,057)	0	0
Public Health and Welfare	2,261,445	2,386,219	52,067	90,000	266,841	0	0
Social, Cultural, and Recreational Services	69,087	0	2,500	0	(66,587)	0	0
Agriculture and Natural Resources	55,324	0	0	0	(55,324)	0	0
Other Operations	341,069	0	77,131	0	(263,938)	0	0
Highways	1,548,895	23,242	1,249,066	0	(276,587)	0	0
Interest on Long-term Debt	494,987	0	0	0	(494,987)	0	0
Debt Service	73,527	0	0	0	(73,527)	0	0
Total Primary Government	\$ 7,647,026	\$ 3,810,099	\$ 1,500,396	\$ 90,000	\$ (2,246,531)	\$ 0	0
<u>Component Unit:</u>							
Hancock County School Department	\$ 10,145,586	\$ 125,247	\$ 2,146,875	\$ 0	\$ 0	\$ (7,873,464)	
Total Component Unit	\$ 10,145,586	\$ 125,247	\$ 2,146,875	\$ 0	\$ 0	\$ (7,873,464)	

(Continued)

Exhibit B

Hancock County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Program Revenues			Component Unit	
			Operating Grants and Contributions	Capital Grants and Contributions	Government Total	Hancock County School Department	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,435,704	\$	611,074
Property Taxes Levied for Debt Service					99,503		0
Local Option Sales Taxes					53,885		206,197
Wheel Tax					55,575		51,044
Litigation Tax - General					10,303		0
Litigation Tax - Jail, Workhouse, or Courthouse					6,500		0
Business Tax					25,672		0
Gas Severance Tax					9,567		0
Wholesale Beer Tax					7,988		3,137
Interstate Telecommunications Tax					691		864
Grants and Contributions Not Restricted to Specific Programs					1,082,166		6,645,660
Unrestricted Investment Income					162,164		2,357
Miscellaneous					13,502		30,114
Gain on Sale of Capital Assets					57,609		430
Total General Revenues					\$ 3,020,829	\$	7,550,877
Change in Net Assets					\$ 774,298	\$	(322,587)
Prior-period Adjustment					0		(35,371)
Net Assets, July 1, 2008					10,787,692		16,278,468
Net Assets, June 30, 2009					\$ 11,561,990	\$	15,920,510

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

Hancock County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Other Special Revenue	Highway/ Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	2,370	2,370
Cash	622,568	1,243,502	775,666	1,494,519	955,106	5,091,361	5,091,361
Equity in Pooled Cash and Investments	226,845	163,694	5,641	50,043	1,064	447,287	447,287
Accounts Receivable	(98,670)	(5,058)	0	0	0	(103,728)	(103,728)
Allowance for Uncollectibles	212,816	0	221,866	0	2,443	437,125	437,125
Due from Other Governments	2,370	0	0	0	0	2,370	2,370
Due from Other Funds	1,356,925	0	0	103,582	227,881	1,688,388	1,688,388
Property Taxes Receivable	(75,464)	0	0	(5,761)	(12,673)	(93,898)	(93,898)
Allowance for Uncollectible Property Taxes	0	0	0	5,553,900	0	5,553,900	5,553,900
Capital Lease Receivable							
Total Assets	\$ 2,247,390	\$ 1,402,138	\$ 1,003,173	\$ 7,196,283	\$ 1,176,191	\$ 13,025,175	\$ 13,025,175

ASSETS

LIABILITIES AND FUND BALANCES

\$	125,315	0	593	0	10,064	135,972
Liabilities	8,853	0	0	0	0	8,853
Accounts Payable	228	0	0	0	0	228
Accrued Payroll	0	0	0	0	0	0
Payroll Deductions Payable	0	0	0	0	2,370	2,370
Due to Other Funds	420	80	0	0	0	500
Due to State of Tennessee	1,231,698	0	0	94,023	206,851	1,532,572
Deferred Revenue - Current Property Taxes	48,609	0	0	3,710	8,163	60,482
Deferred Revenue - Delinquent Property Taxes	104,003	125,411	110,933	5,553,900	153	5,894,400
Other Deferred Revenues	\$ 1,519,126	\$ 125,491	\$ 111,526	\$ 5,651,633	\$ 227,601	\$ 7,635,377
Total Liabilities	\$	\$	\$	\$	\$	\$
Fund Balances	10,638	3,006	0	0	204	13,848
Reserved for Encumbrances	1,625	0	0	0	0	1,625
Reserved for Sexual Offender Registration	8,977	0	0	0	0	8,977
Reserved for Computer System - Register	630	0	0	0	0	630
Reserved for Automation Purposes - Circuit Court	7,463	0	0	0	0	7,463
Reserved for Automation Purposes - General Sessions Court						

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	1,462	0	0	0	0	1,462
	6,430	0	0	0	0	6,430
	691,039	0	0	0	0	691,039
	0	1,273,641	891,647	0	66,662	2,231,950
	0	0	0	1,544,650	0	1,544,650
	0	0	0	0	881,724	881,724
\$	728,264	1,276,647	891,647	1,544,650	948,590	5,389,798
\$	2,247,390	1,402,138	1,003,173	7,196,283	1,176,191	13,025,175

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Chancery Court
Other Federal Reserves
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds
Total Fund Balances
Total Liabilities and Fund Balances

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, 2009

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)		\$	5,389,798
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	396,524	
Add: buildings and improvements net of accumulated depreciation		2,104,608	
Add: machinery and equipment net of accumulated depreciation		465,744	
Add: infrastructure net of accumulated depreciation		<u>15,332,792</u>	18,299,668
(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	\$	(184,818)	
Less: other loans payable		(12,307,570)	
Less: capital leases payable		(99,457)	
Less: bonds payable		(5,243,518)	
Add: deferred charges - debt issuance costs		35,100	
Less: compensated absences payable		(56,852)	
Less: landfill closure/postclosure care costs		(70,741)	
Less: accrued interest on bonds, notes, and capital leases		<u>(154,502)</u>	(18,082,358)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>5,954,882</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>11,561,990</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, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds		
Revenues							
Local Taxes	\$ 1,414,556	\$ 0	\$ 0	\$ 96,189	\$ 213,735	\$ 0	\$ 1,724,480
Fines, Forfeitures, and Penalties	38,773	0	0	0	1,728	0	40,501
Charges for Current Services	605,044	1,816,963	0	0	15,802	0	2,437,809
Other Local Revenues	179,089	0	23,623	162,177	0	0	364,889
Fees Received from County Officials	232,324	0	0	0	0	0	232,324
State of Tennessee	1,335,383	0	1,245,011	0	3,871	0	2,584,265
Federal Government	143,068	0	0	0	90,000	0	233,068
Other Governments and Citizens Groups	78,464	0	0	1,163,094	0	0	1,241,558
Total Revenues	\$ 4,026,701	\$ 1,816,963	\$ 1,268,634	\$ 1,421,460	\$ 325,136	\$ 0	\$ 8,858,894
Expenditures							
Current:							
General Government	\$ 499,749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 499,749
Finance	444,738	907	0	0	0	0	445,645
Administration of Justice	274,834	0	0	0	6,797	0	281,631
Public Safety	1,606,563	0	0	0	362	0	1,606,925
Public Health and Welfare	842,861	1,141,018	0	0	294,241	0	2,278,120
Social, Cultural, and Recreational Services	62,563	0	0	0	0	0	62,563
Agriculture and Natural Resources	55,324	0	0	0	0	0	55,324
Other Operations	341,441	0	0	0	0	0	341,441
Highways	0	0	982,588	0	0	0	982,588
Debt Service:							
Principal on Debt	110,187	0	0	701,198	0	0	811,385
Interest on Debt	8,045	0	0	491,249	0	0	499,294
Other Debt Service	425	0	0	70,902	0	0	71,327
Capital Projects	0	175,000	0	0	170,000	0	345,000
Total Expenditures	\$ 4,246,730	\$ 1,316,925	\$ 982,588	\$ 1,263,349	\$ 471,400	\$ 0	\$ 8,280,992
Excess (Deficiency) of Revenues Over Expenditures	\$ (220,029)	\$ 500,038	\$ 286,046	\$ 158,111	\$ (146,264)	\$ 0	\$ 577,902
Other Financing Sources (Uses)							
Notes Issued	\$ 80,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,000

(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) (Cont.)</u>							
Capital Leases Issued	\$ 135,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 135,602
Insurance Recovery	10,397	0	0	0	0	0	10,397
Transfers In	85,700	0	0	0	0	53,000	138,700
Transfers Out	(53,000)	(85,700)	0	0	0	0	(138,700)
Total Other Financing Sources (Uses)	\$ 258,699	\$ (85,700)	\$ 0	\$ 0	\$ 0	\$ 53,000	\$ 225,999
Net Change in Fund Balances	\$ 38,670	\$ 414,338	\$ 286,046	\$ 158,111	\$ (93,264)	\$	\$ 803,901
Fund Balance, July 1, 2008	689,594	862,309	605,601	1,386,539	1,041,854		4,585,897
Fund Balance, June 30, 2009	\$ 728,264	\$ 1,276,647	\$ 891,647	\$ 1,544,650	\$ 948,590	\$	\$ 5,389,798

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, 2009

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)	\$	803,901
(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	\$	594,704
Less: current year depreciation expense		<u>(773,006)</u>
		(178,302)
(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	\$	57,609
Less: proceeds from sale of capital assets		<u>(60,000)</u>
		(2,391)
(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, 2009	\$	5,954,882
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(6,390,061)</u>
		(435,179)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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	\$	(80,000)
Less: capital lease proceeds		(135,602)
Less: change in deferred debt issuance costs		(2,200)
Add: principal payments on bonds		273,864
Add: principal payments on notes		92,376
Add: principal payments on other loans		409,000
Add: principal payments on capital leases		<u>36,145</u>
		593,583
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$	4,307
Change in compensated absences payable		(9,964)
Change in landfill closure/postclosure care costs		<u>(1,657)</u>
		(7,314)
Change in net assets of governmental activities (Exhibit B)	\$	<u>774,298</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 354,356
Equity in Pooled Cash and Investments	122,079
Accounts Receivable	4,826
Due from Other Governments	24,871
Prepaid Items	<u>2,441</u>
Total Assets	<u>\$ 508,573</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 1,064
Due to Other Taxing Units	153,153
Due to Litigants, Heirs, and Others	<u>354,356</u>
Total Liabilities	<u>\$ 508,573</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, 2009

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.

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 – This fund accounts 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and

Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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 three 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 \$30,000 are discussed in Note IV.F. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teacher's insurance clearing account at June 30, 2009.

3. Capital Assets

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

Capital assets, which include property, plant, 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

4. **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.

5. **Long-term Obligations**

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, 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 \$21,585 with the primary restrictions being for computer systems for various offices (\$18,532) and drug control (\$1,428). For the discretely presented School Department, the account balance in Restricted for State and Federal Assistance Programs consists of various restrictions totaling \$688,011, with the primary restrictions being for: State BEP nonclassroom funds (\$450,301) and the school lunch and breakfast programs (\$229,725).

As of June 30, 2009, Hancock County had \$11,128,670 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 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.

7. Prior-period Adjustment

Beginning net assets of the School Department have been restated (reduced) \$35,371 due to recognizing a prior-period liability for other postemployment benefits. See note V.K. for a discussion of the School Department's postemployment benefits obligation.

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. Cash Overdraft

The discretely presented School Department's School Federal Projects Fund had a cash overdraft of \$25,195 at June 30, 2009. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2009.

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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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, 2009.

B. Lease Receivable/Long-term Note Receivable

The General Debt Service Fund has a lease receivable totaling \$5,553,900 at June 30, 2009. 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 7-1-08	Retired	Balance 6-30-09
Hospital Bond (A)	\$ 5,040,000	\$ 240,000	\$ 4,800,000
Hospital Bond (B)	180,000	30,000	150,000
Other Loans	629,723	25,823	603,900
Total	<u>\$ 5,849,723</u>	<u>\$ 295,823</u>	<u>\$ 5,553,900</u>

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 (\$50,000) is reflected on the balance sheet of the General Debt Service Fund.

In the financial statements of the General Debt Service Fund, revenues of \$646,311 have been recognized from Wellmont during the year. This amount includes \$522,352 in current payments under the agreement, \$50,000 as reimbursement of a prior year EMS subsidy, and \$73,959 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility including interest.

The Hancock County Board of Education approved, in the 2005-06 fiscal year, to provide funds for tuition costs related to any teacher seeking a degree provided the teacher signs a promissory note and remains employed with the Hancock County School Department for a minimum of three years. One employee who signed a promissory note resigned from the Hancock County School Department before completing the required three years of employment. Therefore, the financial statements of the General Purpose School Fund reflect a long-term note receivable of \$7,669 on June 30, 2009.

C. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 370,174	\$ 26,350	\$ 0	\$ 396,524
Total Capital Assets Not Depreciated	<u>\$ 370,174</u>	<u>\$ 26,350</u>	<u>\$ 0</u>	<u>\$ 396,524</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,444,253	\$ 320,286	\$ 183,103	\$ 3,581,436
Machinery and Equipment	2,060,616	248,068	23,730	2,284,954
Infrastructure	21,242,160	0	0	21,242,160
Total Capital Assets Depreciated	<u>\$ 26,747,029</u>	<u>\$ 568,354</u>	<u>\$ 206,833</u>	<u>\$ 27,108,550</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,571,705	\$ 85,835	\$ 180,712	\$ 1,476,828
Machinery and Equipment	1,686,822	156,118	23,730	1,819,210
Infrastructure	5,378,315	531,053	0	5,909,368
Total Accumulated Depreciation	<u>\$ 8,636,842</u>	<u>\$ 773,006</u>	<u>\$ 204,442</u>	<u>\$ 9,205,406</u>
Total Capital Assets Depreciated, Net	<u>\$ 18,110,187</u>	<u>\$ (204,652)</u>	<u>\$ 2,391</u>	<u>\$ 17,903,144</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,480,361</u>	<u>\$ (178,302)</u>	<u>\$ 2,391</u>	<u>\$ 18,299,668</u>

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

Governmental Activities:

General Government	\$	8,575
Finance		1,664
Public Safety		105,748
Public Health and Welfare		67,840
Social, Cultural, and Recreational Services		6,500
Other Operations		20,228
Highway/Public Works		<u>562,451</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>773,006</u></u>

Discretely Presented Hancock County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Construction in Progress	<u>105,688</u>	<u>49,041</u>	<u>58,087</u>	<u>96,642</u>
Total Capital Assets Not Depreciated	<u>\$ 558,838</u>	<u>\$ 49,041</u>	<u>\$ 58,087</u>	<u>\$ 549,792</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,337,255	\$ 58,087	\$ 0	\$ 15,395,342
Machinery and Equipment	<u>1,387,195</u>	<u>51,500</u>	<u>9,000</u>	<u>1,429,695</u>
Total Capital Assets Depreciated	<u>\$ 16,724,450</u>	<u>\$ 109,587</u>	<u>\$ 9,000</u>	<u>\$ 16,825,037</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,049,877	\$ 406,165	\$ 0	\$ 3,456,042
Machinery and Equipment	<u>705,315</u>	<u>102,599</u>	<u>8,730</u>	<u>799,184</u>
Total Accumulated Depreciation	<u>\$ 3,755,192</u>	<u>\$ 508,764</u>	<u>\$ 8,730</u>	<u>\$ 4,255,226</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,969,258</u>	<u>\$ (399,177)</u>	<u>\$ 270</u>	<u>\$ 12,569,811</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,528,096</u>	<u>\$ (350,136)</u>	<u>\$ 58,357</u>	<u>\$ 13,119,603</u>

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

Governmental Activities:

Instruction	\$ 406,165
Support Services	97,806
Operation of Non-Instructional Services	<u>4,793</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 508,764</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 2,370

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 Transfers:

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 53,000
Other Special Revenue Fund	<u>85,700</u>	<u>0</u>
Total	<u>\$ 85,700</u>	<u>\$ 53,000</u>

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

E. Capital Leases

On December 15, 2008, Hancock County entered into a three-year lease-purchase agreement for patrol vehicles. The terms of the agreement require total lease payments of \$135,602 plus interest of 4.45 percent. Title to the vehicles transfers to Hancock County at the end of the lease period. The General Fund is making the lease payments.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2010	\$ 36,145
2011	36,146
2012	<u>36,146</u>
Total Minimum Lease Payments	\$ 108,437
Less: Amount Representing Interest	<u>(8,980)</u>
 Present Value of Minimum Lease Payments	 \$ <u><u>99,457</u></u>

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to three years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2009, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2009, will be retired from the General Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	4.25 to 5.6%	\$ 6,610,000	\$ 5,243,518
Capital Outlay Notes	3.75 to 5.52	237,227	184,818
Other Loans	Variable	14,595,000	12,307,570
Capital Leases	4.45	135,602	99,457

In prior years, Hancock County entered into three loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority has loaned \$12,000,000, \$945,000, and \$1,650,000 to Hancock County to finance the school building program, to refinance the outstanding jail construction bonds, and to finance school capital projects and hospital building projects, respectively. 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, 2009, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-09	Interest Type	Interest Rates as of 6-30-09	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan Program	\$12,000,000	\$10,580,000	Variable	0.48%	0.44%
Refunding Issue Loan Program	945,000	575,000	Variable	0.39	0.76
School Construction and Hospital Equipment Loan Program	1,650,000	<u>1,152,570</u>	Variable	0.39	0.62
Total		<u>\$12,307,570</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 274,037	\$ 293,343	\$ 567,380
2011	274,219	277,369	551,588
2012	274,409	262,154	536,563
2013	274,607	246,929	521,536
2014	274,814	232,298	507,112
2015-2019	1,227,522	944,084	2,171,606
2020-2024	1,234,301	596,491	1,830,792
2025-2029	1,242,758	247,216	1,489,974
2030-2034	53,312	32,112	85,424
2035-2039	50,726	19,828	70,554
2040-2044	51,361	9,279	60,640
2045	11,452	493	11,945
Total	\$ 5,243,518	\$ 3,161,596	\$ 8,405,114

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 79,076	\$ 7,685	\$ 86,761
2011	79,076	4,344	83,420
2012	26,666	1,003	27,669
Total	\$ 184,818	\$ 13,032	\$ 197,850

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	\$ 442,000	\$ 57,522	\$ 57,997	\$ 557,519
2011	477,000	55,501	55,768	588,269
2012	501,000	53,316	53,371	607,687
2013	524,000	51,021	50,858	625,879
2014	559,000	48,617	48,235	655,852
2015-2019	3,213,000	200,970	196,054	3,610,024
2020-2024	3,841,000	121,000	116,755	4,078,755
2025-2028	2,750,570	26,451	25,628	2,802,649
Total	\$ 12,307,570	\$ 614,398	\$ 604,666	\$ 13,526,634

There is \$1,544,650 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$773, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$2,628, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2008	\$ 5,517,382	\$ 197,194	\$ 0
Additions	0	80,000	135,602
Deductions	(273,864)	(92,376)	(36,145)
Balance, June 30, 2009	<u>\$ 5,243,518</u>	<u>\$ 184,818</u>	<u>\$ 99,457</u>
Balance Due Within One Year	<u>\$ 274,037</u>	<u>\$ 79,076</u>	<u>\$ 31,719</u>

	Landfill Closure/ Postclosure Care Cost	Other Loans	Compensated Absences
Balance, July 1, 2008	\$ 69,084	\$ 12,716,570	\$ 46,888
Additions	1,657	0	25,333
Deductions	0	(409,000)	(15,369)
Balance, June 30, 2009	<u>\$ 70,741</u>	<u>\$ 12,307,570</u>	<u>\$ 56,852</u>
Balance Due Within One Year	<u>\$ 3,637</u>	<u>\$ 442,000</u>	<u>\$ 11,370</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 17,962,956
Less: Balance Due Within One Year	<u>(841,839)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,121,117</u>

Compensated absences will be paid from the employing funds, primarily the General and the Highway/Public Works funds. 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, 2009, was as follows:

	Other Postemployment Benefits	Claims and Judgments Payable
Balance, July 1, 2008	\$ 35,371	\$ 37,500
Additions	53,314	0
Deductions	(13,431)	(7,500)
	<hr/>	<hr/>
Balance, June 30, 2009	\$ 75,254	\$ 30,000
	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 0	\$ 7,500
	<hr/> <hr/>	<hr/> <hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 105,254
Less: Balance Due Within One Year	<u>(7,500)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 97,754</u>

A judgment of \$75,000 was assessed against the School Department related to a lawsuit filed by an employee for a work related injury. The judgment is to be paid over a ten-year period with interest of six percent. The remaining balance of the claims and judgments payable outstanding at June 30, 2009, will be retired from the General Purpose School Fund.

A prior-period adjustment was made to record the balance July 1, 2008, for Other Postemployment Benefits. See notes I.D.7. and V.J. for further discussion.

G. Pledges of Future Revenues

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 18 years to the primary government's General Debt Service Fund to provide funds for the retirement of debt issued for school purposes. However, for the current year, the School Department was required to contribute only \$511,826 to the primary government's General Debt Service Fund due to decreased interest requirements on the debt.

H. 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, 2009, were \$17,453 and \$8,376, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. 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, 2009, was as follows:

	7-1-08	Issued	Paid	6-30-09
Tax Anticipation Notes	\$ 0	\$ 250,000	\$ (250,000)	\$ 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 did not provide health insurance for its employees during the 2008-09 fiscal year.

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. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Hancock County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Hancock County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Hancock County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Hancock County could have endowment investments in subsequent years.

C. Subsequent Events

For the 2009-10 year, the Hancock County Commission approved the issuance of a tax anticipation note not to exceed \$250,000 to provide temporary operating funds for the General Fund. However, as of the date of this report, the note has not been issued.

The Hancock County Commission voted to offer health insurance coverage to all full-time county employees beginning September 1, 2009. The county will pay the first \$300 of premium costs for both single and family coverage. The remaining premium will be covered by payroll deductions of participating employees.

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. Change in Administration

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

F. Landfill Closure/Postclosure Costs

Hancock County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Hancock County closed its sanitary landfill in 1997. The \$70,741 reported as postclosure liability at June 30, 2009, represents amounts based on what it would cost to perform all postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. 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, 2009, 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

H. Jointly Governed Organizations

Primary Government

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

Discretely Presented Hancock County School Department

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

I. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Hancock County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 7.13 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hancock County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2009, Hancock County's annual pension cost of \$39,880 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method.

Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hancock County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 15 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-09	\$39,880	100%	\$0
6-30-08	32,324	100	0
6-30-07	32,990	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 \$1.4 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 \$1 million, and the ratio of the UAAL to the covered payroll was 28.99 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents 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 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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs.

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, 2009, was 6.42 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, 2009, 2008, and 2007, were \$292,149, \$271,166, and \$271,166, respectively, equal to the required contributions for each year.

J. Other Postemployment Benefits (OPEB)

Discretely Presented Hancock County School Department

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of each plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan.

The School Department has an OPEB liability due to an implicit rate subsidy for retirees. An implicit rate subsidy exists because active employees and pre-65 retirees are commingled in the same plan and premiums are based on claims of the entire plan. Since retiree claims are normally higher than active employee claims, some of the amounts contributed for active members actually cover portions of retiree claims.

The School Department does not pay any portion of retirees' insurance premiums. Their premiums, less amounts contributed by the state, are paid entirely by the retirees. However, since the state allows pre-65 retirees to remain on the plan, the county has a liability for the implicit rate subsidy that is included in premiums paid for active employees. The county's obligation for this implicit rate subsidy is reflected in the following table.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 51,722
Interest on the NPO	1,592
Adjustment to the ARC	(1,549)
Annual OPEB cost	<hr/> \$ 51,765
Amount of contribution	(11,882)
Increase/decrease in NPO	<hr/> \$ 39,883
Net OPEB obligation, 7-1-08	<hr/> 35,371
Net OPEB obligation, 6-30-09	<hr/> <hr/> \$ 75,254

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 51,028	31%	\$ 35,371
6-30-09	"	51,765	23	75,254

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-07
Actuarial accrued liability (AAL)	\$ 558,877
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 558,877
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,604,646
UAAL as a % of covered payroll	12.14%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual

results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

K. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,414,556	\$ 0	\$ 1,414,556	\$ 1,337,700	\$ 1,377,395	\$ 37,161
Fines, Forfeitures, and Penalties	38,773	0	38,773	40,150	40,150	(1,377)
Charges for Current Services	605,044	0	605,044	464,600	573,178	31,866
Other Local Revenues	179,089	0	179,089	95,000	111,428	67,661
Fees Received from County Officials	232,324	0	232,324	237,500	251,000	(18,676)
State of Tennessee	1,335,383	0	1,335,383	1,295,209	1,371,209	(35,826)
Federal Government	143,068	0	143,068	207,812	207,812	(64,744)
Other Governments and Citizens Groups	78,464	0	78,464	70,000	70,000	8,464
Total Revenues	\$ 4,026,701	\$ 0	\$ 4,026,701	\$ 3,747,971	\$ 4,002,172	\$ 24,529
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 76,129	\$ 0	\$ 76,129	\$ 79,600	\$ 92,850	\$ 16,721
County Mayor/Executive	140,210	0	140,210	144,060	151,920	11,710
County Attorney	15,000	0	15,000	15,000	15,000	0
Election Commission	92,240	910	93,150	92,646	102,701	9,551
Register of Deeds	87,027	303	87,330	91,813	95,473	8,143
County Buildings	89,143	700	89,843	66,000	102,000	12,157
<u>Finance</u>						
Purchasing	74,337	200	74,537	85,700	85,800	11,263
Property Assessor's Office	92,520	100	92,620	93,231	96,031	3,411
Reappraisal Program	18,764	0	18,764	25,020	27,870	9,106
County Trustee's Office	94,980	0	94,980	106,283	106,283	11,303
County Clerk's Office	113,265	800	114,065	117,860	117,860	3,795
Other Finance	50,872	0	50,872	52,000	52,000	1,128

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 112,147	\$ 225	\$ 112,372	\$ 145,401	\$ 145,401	\$ 33,029
General Sessions Court	66,403	0	66,403	67,216	68,216	1,813
Chancery Court	88,709	0	88,709	92,209	92,889	4,180
District Attorney General	7,575	0	7,575	16,000	16,000	8,425
<u>Public Safety</u>						
Sheriff's Department	531,995	0	531,995	409,634	578,836	46,841
Jail	917,329	6,000	923,329	767,931	1,024,381	101,052
Juvenile Services	60,457	0	60,457	63,739	63,739	3,282
Commissary	40,875	600	41,475	51,774	51,774	10,299
Civil Defense	35,047	0	35,047	35,700	39,000	3,953
Rescue Squad	1,400	0	1,400	1,400	1,400	0
County Coroner/Medical Examiner	15,000	0	15,000	15,000	15,000	0
Other Public Safety	4,460	0	4,460	1,200	6,700	2,240
<u>Public Health and Welfare</u>						
Local Health Center	19,404	0	19,404	19,524	19,574	170
Ambulance/Emergency Medical Services	784,668	500	785,168	665,876	799,229	14,061
Alcohol and Drug Programs	518	0	518	1,045	1,045	527
Crippled Children Services	415	0	415	415	415	0
Other Local Health Services	4,051	0	4,051	0	76,000	71,949
Sanitation Management	33,741	0	33,741	34,237	34,237	496
Other Public Health and Welfare	64	0	64	6,494	6,494	6,430
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	7,310	0	7,310	6,868	7,368	58
Libraries	55,253	0	55,253	54,090	56,590	1,337

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	\$ 38,843	\$ 0	\$ 38,843	\$ 49,999	\$ 49,999	\$ 11,156
Soil Conservation	16,481	0	16,481	16,816	16,816	335
<u>Other Operations</u>						
Other Economic and Community Development	30,000	0	30,000	0	30,000	0
Public Transportation	268,772	300	269,072	236,310	278,435	9,363
Veterans' Services	6,887	0	6,887	7,400	7,400	513
Employee Benefits	35,782	0	35,782	39,200	39,200	3,418
<u>Principal on Debt</u>						
General Government	110,187	0	110,187	85,880	112,530	2,343
Interest on Debt						
General Government	8,045	0	8,045	5,100	8,100	55
<u>Other Debt Service</u>						
General Government	425	0	425	0	425	0
Total Expenditures	\$ 4,246,730	\$ 10,638	\$ 4,257,368	\$ 3,865,671	\$ 4,692,981	\$ 435,613
Excess (Deficiency) of Revenues Over Expenditures	\$ (220,029)	\$ (10,638)	\$ (230,667)	\$ (117,700)	\$ (690,809)	\$ 460,142
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 80,000	\$ 0	\$ 80,000	\$ 80,000	\$ 80,000	\$ 0
Capital Leases Issued	135,602	0	135,602	0	135,602	0
Insurance Recovery	10,397	0	10,397	0	0	10,397
Transfers In	85,700	0	85,700	85,700	85,700	0
Transfers Out	(53,000)	0	(53,000)	(48,000)	(53,000)	0
Total Other Financing Sources (Uses)	\$ 258,699	\$ 0	\$ 258,699	\$ 117,700	\$ 248,302	\$ 10,397

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 38,670	\$ (10,638)	\$ 28,032	\$ 0	\$ (42,507)	\$ 470,539
Fund Balance, July 1, 2008	689,594	0	689,594	665,810	665,810	23,784
Fund Balance, June 30, 2009	\$ 728,264	\$ (10,638)	\$ 717,626	\$ 665,810	\$ 223,303	\$ 494,323

Exhibit E-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 1,816,963	0	\$ 1,816,963	\$ 1,160,008	\$ 1,525,458	\$ 291,505
Total Revenues	\$ 1,816,963	0	\$ 1,816,963	\$ 1,160,008	\$ 1,525,458	\$ 291,505
<u>Expenditures</u>						
<u>Finance</u>						
Purchasing	\$ 907	0	\$ 907	\$ 908	\$ 908	\$ 1
Public Health and Welfare						
Other Local Health Services	1,141,018	3,006	1,144,024	1,073,400	1,263,850	119,826
Capital Projects						
Public Health and Welfare Projects	175,000	0	175,000	0	175,000	0
Total Expenditures	\$ 1,316,925	3,006	\$ 1,319,931	\$ 1,074,308	\$ 1,439,758	\$ 119,827
Excess (Deficiency) of Revenues Over Expenditures	\$ 500,038	(3,006)	\$ 497,032	\$ 85,700	\$ 85,700	\$ 411,332
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (85,700)	0	\$ (85,700)	\$ (85,700)	\$ (85,700)	\$ 0
Total Other Financing Sources (Uses)	\$ (85,700)	0	\$ (85,700)	\$ (85,700)	\$ (85,700)	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 414,338	(3,006)	\$ 411,332	\$ 0	\$ 0	\$ 411,332
	862,309	0	862,309	862,000	862,000	309
Fund Balance, June 30, 2009	\$ 1,276,647	(3,006)	\$ 1,273,641	\$ 862,000	\$ 862,000	\$ 411,641

Exhibit E-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 23,623	\$ 0	\$ 0	\$ 23,623
State of Tennessee	1,245,011	1,249,197	1,249,197	(4,186)
Total Revenues	<u>\$ 1,268,634</u>	<u>\$ 1,249,197</u>	<u>\$ 1,249,197</u>	<u>\$ 19,437</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 422,283	\$ 486,477	\$ 486,477	\$ 64,194
Highway and Bridge Maintenance	316,736	896,422	896,422	579,686
Operation and Maintenance of Equipment	107,153	147,240	147,240	40,087
Other Charges	59,601	65,500	65,500	5,899
Employee Benefits	74,687	94,639	94,639	19,952
Capital Outlay	2,128	54,300	54,300	52,172
Total Expenditures	<u>\$ 982,588</u>	<u>\$ 1,744,578</u>	<u>\$ 1,744,578</u>	<u>\$ 761,990</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 286,046</u>	<u>\$ (495,381)</u>	<u>\$ (495,381)</u>	<u>\$ 781,427</u>
Net Change in Fund Balance	\$ 286,046	\$ (495,381)	\$ (495,381)	\$ 781,427
Fund Balance, July 1, 2008	605,601	495,381	495,381	110,220
Fund Balance, June 30, 2009	<u>\$ 891,647</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 891,647</u>

Exhibit E-4

Hancock County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hancock County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-08	6-30-07	\$ 1,401	\$ 1,559	\$ 158	89.87 %	\$ 545	28.99 %
6-30-09	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 2007-08 year; therefore, only two years of data are presented.

Exhibit E-5

Hancock County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Hancock County School Department
June 30, 2009

Local Education Group Plan

(Dollar amounts in thousands)

Year Ended *	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-08	7-1-07	\$ 0	\$ 559	559	0 %	\$ 4,733	12 %
6-30-09	7-1-07	0	559	559	0	4,733	12

*Data only available for two years.

HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Capital Projects Funds

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

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

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, 2009

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Other Capital Projects				
\$	0	0	0	2,370	0	2,370	0	2,370	
Cash	67,328	5,596	1,428	0	880,754	74,352	0	955,106	
Equity in Pooled Cash and Investments	94	0	0	0	970	94	0	1,064	
Accounts Receivable	2,443	0	0	0	0	2,443	0	2,443	
Due from Other Governments	227,881	0	0	0	0	227,881	0	227,881	
Property Taxes Receivable	(12,673)	0	0	0	0	(12,673)	0	(12,673)	
Allowance for Uncollectible Property Taxes									
Total Assets	\$ 285,073	\$ 5,596	\$ 1,428	\$ 2,370	\$ 881,724	\$ 294,467	\$ 881,724	\$ 1,176,191	

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes

LIABILITIES AND FUND BALANCES

\$	10,037	27	0	0	0	10,064	0	10,064
Accounts Payable	0	0	0	2,370	0	2,370	0	2,370
Due to Other Funds	206,851	0	0	0	0	206,851	0	206,851
Deferred Revenue - Current Property Taxes	8,163	0	0	0	0	8,163	0	8,163
Deferred Revenue - Delinquent Property Taxes	153	0	0	0	0	153	0	153
Other Deferred Revenues								
Total Liabilities	\$ 225,204	\$ 27	\$ 0	\$ 2,370	\$ 0	\$ 227,601	\$ 0	\$ 227,601
Fund Balances								
Reserved for Encumbrances	204	0	0	0	0	204	0	204
Unreserved	59,665	5,569	1,428	0	881,724	66,662	881,724	948,386
Total Fund Balances	\$ 59,869	\$ 5,569	\$ 1,428	\$ 0	\$ 881,724	\$ 66,866	\$ 881,724	\$ 948,590
Total Liabilities and Fund Balances	\$ 285,073	\$ 5,596	\$ 1,428	\$ 2,370	\$ 881,724	\$ 294,467	\$ 881,724	\$ 1,176,191

Liabilities
 Accounts Payable
 Due to Other Funds
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Other Deferred Revenues
 Total Liabilities
 Fund Balances
 Reserved for Encumbrances
 Unreserved
 Total Fund Balances
 Total Liabilities and Fund Balances

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, 2009

	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	
Revenues									
Local Taxes	\$ 213,735	\$ 0	\$ 0	\$ 0	\$ 213,735	\$ 0	\$ 0	\$ 0	\$ 213,735
Fines, Forfeitures, and Penalties	0	0	1,728	0	1,728	0	0	0	1,728
Charges for Current Services	9,005	0	0	6,797	15,802	0	0	0	15,802
State of Tennessee	3,871	0	0	0	3,871	0	0	0	3,871
Federal Government	0	0	0	0	0	90,000	0	90,000	90,000
Total Revenues	\$ 226,611	\$ 0	\$ 1,728	\$ 6,797	\$ 235,136	\$ 90,000	\$ 0	\$ 90,000	\$ 325,136
Expenditures									
Current:									
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 6,797	\$ 6,797	\$ 0	\$ 0	\$ 0	\$ 6,797
Public Safety	0	0	362	0	362	0	0	0	362
Public Health and Welfare	238,541	55,700	0	0	294,241	0	0	0	294,241
Capital Projects	0	0	0	0	0	170,000	0	170,000	170,000
Total Expenditures	\$ 238,541	\$ 55,700	\$ 362	\$ 6,797	\$ 301,400	\$ 170,000	\$ 0	\$ 170,000	\$ 471,400
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,930)	\$ (55,700)	\$ 1,366	\$ 0	\$ (66,264)	\$ (80,000)	\$ 0	\$ (80,000)	\$ (146,264)
Other Financing Sources (Uses)									
Transfers In	\$ 0	\$ 53,000	\$ 0	\$ 0	\$ 53,000	\$ 0	\$ 0	\$ 0	\$ 53,000
Total Other Financing Sources (Uses)	\$ 0	\$ 53,000	\$ 0	\$ 0	\$ 53,000	\$ 0	\$ 0	\$ 0	\$ 53,000
Net Change in Fund Balances Fund Balance, July 1, 2008	\$ (11,930)	\$ (2,700)	\$ 1,366	\$ 0	\$ (13,264)	\$ (80,000)	\$ 0	\$ (80,000)	\$ (93,264)
	71,799	8,269	62	0	80,130	80,000	881,724	961,724	1,041,854
Fund Balance, June 30, 2009	\$ 59,869	\$ 5,569	\$ 1,428	\$ 0	\$ 66,866	\$ 0	\$ 881,724	\$ 881,724	\$ 948,590

Exhibit F-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 213,735	\$ 0	\$ 213,735	\$ 199,900	\$ 199,900	\$ 13,835
Charges for Current Services	9,005	0	9,005	10,000	10,000	(995)
State of Tennessee	3,871	0	3,871	2,100	2,100	1,771
Total Revenues	\$ 226,611	\$ 0	\$ 226,611	\$ 212,000	\$ 212,000	\$ 14,611
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 238,541	\$ 204	\$ 238,745	\$ 280,500	\$ 282,520	\$ 43,775
Total Expenditures	\$ 238,541	\$ 204	\$ 238,745	\$ 280,500	\$ 282,520	\$ 43,775
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,930)	\$ (204)	\$ (12,134)	\$ (68,500)	\$ (70,520)	\$ 58,386
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (11,930)	\$ (204)	\$ (12,134)	\$ (68,500)	\$ (70,520)	\$ 58,386
	71,799	0	71,799	71,799	71,799	0
Fund Balance, June 30, 2009	\$ 59,869	\$ (204)	\$ 59,665	\$ 3,299	\$ 1,279	\$ 58,386

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, 2009

	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	\$ 55,700	\$ 56,269	\$ 61,269	\$ 5,569
Total Expenditures	\$ 55,700	\$ 56,269	\$ 61,269	\$ 5,569
Excess (Deficiency) of Revenues Over Expenditures	\$ (55,700)	\$ (56,269)	\$ (61,269)	\$ 5,569
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 53,000	\$ 48,000	\$ 53,000	\$ 0
Total Other Financing Sources (Uses)	\$ 53,000	\$ 48,000	\$ 53,000	\$ 0
Net Change in Fund Balance	\$ (2,700)	\$ (8,269)	\$ (8,269)	\$ 5,569
Fund Balance, July 1, 2008	8,269	8,269	8,269	0
Fund Balance, June 30, 2009	\$ 5,569	\$ 0	\$ 0	\$ 5,569

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,728	\$ 0	\$ 500	\$ 1,228
Total Revenues	\$ 1,728	\$ 0	\$ 500	\$ 1,228
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 362	\$ 62	\$ 500	\$ 138
Total Expenditures	\$ 362	\$ 62	\$ 500	\$ 138
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,366	\$ (62)	\$ 0	\$ 1,366
Net Change in Fund Balance	\$ 1,366	\$ (62)	\$ 0	\$ 1,366
Fund Balance, July 1, 2008	62	62	0	62
Fund Balance, June 30, 2009	\$ 1,428	\$ 0	\$ 0	\$ 1,428

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Major Governmental Fund

General Debt Service Fund

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

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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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 96,189	\$ 91,800	\$ 91,800	\$ 4,389
Other Local Revenues	162,177	138,479	138,479	23,698
State of Tennessee	0	500	500	(500)
Other Governments and Citizens Groups	1,163,094	1,402,812	1,402,812	(239,718)
Total Revenues	<u>\$ 1,421,460</u>	<u>\$ 1,633,591</u>	<u>\$ 1,633,591</u>	<u>\$ (212,131)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 378,021	\$ 404,798	\$ 404,798	\$ 26,777
Education	323,177	323,177	323,177	0
<u>Interest on Debt</u>				
General Government	320,563	362,003	362,003	41,440
Education	170,686	451,413	451,413	280,727
<u>Other Debt Service</u>				
General Government	19,157	24,200	24,200	5,043
Education	51,745	68,000	68,000	16,255
Total Expenditures	<u>\$ 1,263,349</u>	<u>\$ 1,633,591</u>	<u>\$ 1,633,591</u>	<u>\$ 370,242</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 158,111</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 158,111</u>
Net Change in Fund Balance	\$ 158,111	\$ 0	\$ 0	\$ 158,111
Fund Balance, July 1, 2008	<u>1,386,539</u>	<u>1,335,557</u>	<u>1,335,557</u>	<u>50,982</u>
Fund Balance, June 30, 2009	<u>\$ 1,544,650</u>	<u>\$ 1,335,557</u>	<u>\$ 1,335,557</u>	<u>\$ 209,093</u>

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Fiduciary Funds

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

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

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

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

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Exhibit H-1

Hancock County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	<u>Agency Funds</u>				Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency		
<u>ASSETS</u>					
Cash	\$ 0	\$ 354,356	\$ 0	\$ 354,356	\$ 354,356
Equity in Pooled Cash and Investments	0	0	122,079	122,079	122,079
Accounts Receivable	0	0	4,826	4,826	4,826
Due from Other Governments	24,871	0	0	24,871	24,871
Prepaid Items	0	0	2,441	2,441	2,441
Total Assets	<u>\$ 24,871</u>	<u>\$ 354,356</u>	<u>\$ 129,346</u>	<u>\$ 508,573</u>	<u>\$ 508,573</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 1,064	\$ 1,064	\$ 1,064
Due to Other Taxing Units	24,871	0	128,282	153,153	153,153
Due to Litigants, Heirs, and Others	0	354,356	0	354,356	354,356
Total Liabilities	<u>\$ 24,871</u>	<u>\$ 354,356</u>	<u>\$ 129,346</u>	<u>\$ 508,573</u>	<u>\$ 508,573</u>

Exhibit H-2

Hancock County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 154,827	\$ 154,827	\$ 0
Due from Other Governments	27,386	24,871	27,386	24,871
Total Assets	\$ 27,386	\$ 179,698	\$ 182,213	\$ 24,871
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,386	\$ 179,698	\$ 182,213	\$ 24,871
Total Liabilities	\$ 27,386	\$ 179,698	\$ 182,213	\$ 24,871
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 400,104	\$ 1,021,829	\$ 1,067,577	\$ 354,356
Total Assets	\$ 400,104	\$ 1,021,829	\$ 1,067,577	\$ 354,356
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 400,104	\$ 1,021,829	\$ 1,067,577	\$ 354,356
Total Liabilities	\$ 400,104	\$ 1,021,829	\$ 1,067,577	\$ 354,356
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 109,807	\$ 145,505	\$ 133,233	\$ 122,079
Accounts Receivable	4,963	4,826	4,963	4,826
Prepaid Items	2,378	2,441	2,378	2,441
Total Assets	\$ 117,148	\$ 152,772	\$ 140,574	\$ 129,346
<u>Liabilities</u>				
Accounts Payable	\$ 515	\$ 1,064	\$ 515	\$ 1,064
Due to Other Taxing Units	116,633	151,708	140,059	128,282
Total Liabilities	\$ 117,148	\$ 152,772	\$ 140,574	\$ 129,346

(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	\$ 400,104	\$ 1,021,829	\$ 1,067,577	\$ 354,356
Equity in Pooled Cash and Investments	109,807	300,332	288,060	122,079
Accounts Receivable	4,963	4,826	4,963	4,826
Due from Other Governments	27,386	24,871	27,386	24,871
Prepaid Items	2,378	2,441	2,378	2,441
Total Assets	<u>\$ 544,638</u>	<u>\$ 1,354,299</u>	<u>\$ 1,390,364</u>	<u>\$ 508,573</u>
<u>Liabilities</u>				
Accounts Payable	\$ 515	\$ 1,064	\$ 515	\$ 1,064
Due to Other Taxing Units	144,019	331,406	322,272	153,153
Due to Litigants, Heirs, and Others	400,104	1,021,829	1,067,577	354,356
Total Liabilities	<u>\$ 544,638</u>	<u>\$ 1,354,299</u>	<u>\$ 1,390,364</u>	<u>\$ 508,573</u>

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Hancock County School Department

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.

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, 2009

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	
Governmental Activities:			
Instruction	\$ 5,291,240	\$ 675	\$ 1,552,292
Support Services	2,983,172	0	25,829
Operation of Non-Instructional Services	1,359,348	124,572	568,754
Other Debt Service	511,826	0	0
Total Governmental Activities	\$ 10,145,586	\$ 125,247	\$ 2,146,875
General Revenues:			
Taxes:			
Property Taxes Levied for General Purposes			\$ 611,074
Local Option Sales Taxes			206,197
Wheel Tax			51,044
Wholesale Beer Tax			3,137
Interstate Telecommunications Tax			864
Grants and Contributions Not Restricted for Specific Programs			6,645,660
Unrestricted Investment Income			2,357
Miscellaneous			30,114
Gain on Sale of Capital Assets			430
Total General Revenues			\$ 7,550,877
Change in Net Assets			\$ (322,587)
Prior-period Adjustment			(35,371)
Net Assets, July 1, 2008			16,278,468
Net Assets, June 30, 2009			\$ 15,920,510

Exhibit I-2

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hancock County School Department
June 30, 2009

	Major Funds		Nonmajor	Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria Fund	
<u>ASSETS</u>				
Cash	\$ 33	\$ 0	\$ 2,194	\$ 2,227
Equity in Pooled Cash and Investments	2,604,390	0	214,756	2,819,146
Accounts Receivable	275	0	0	275
Due from Other Governments	204,175	40,739	12,775	257,689
Property Taxes Receivable	662,926	0	0	662,926
Allowance for Uncollectible Property Taxes	(36,868)	0	0	(36,868)
Notes Receivable - Long-term	7,669	0	0	7,669
Total Assets	<u>\$ 3,442,600</u>	<u>\$ 40,739</u>	<u>\$ 229,725</u>	<u>\$ 3,713,064</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 86,605	\$ 15,499	\$ 0	\$ 102,104
Cash Overdraft	0	25,195	0	25,195
Other Current Liabilities	77,858	0	0	77,858
Deferred Revenue - Current Property Taxes	601,746	0	0	601,746
Deferred Revenue - Delinquent Property Taxes	23,748	0	0	23,748
Other Deferred Revenues	24,687	0	0	24,687
Total Liabilities	<u>\$ 814,644</u>	<u>\$ 40,694</u>	<u>\$ 0</u>	<u>\$ 855,338</u>
<u>Fund Balances</u>				
Other Local Education Reserves	\$ 7,035	\$ 0	\$ 0	\$ 7,035
Reserved for Career Ladder - Extended Contract	905	0	0	905
Reserved for Basic Education Program	450,301	0	0	450,301
Reserved for Title I Grants to Local Education Agencies	0	45	0	45
Unreserved, Reported In:				
General Fund	2,169,715	0	0	2,169,715
Special Revenue Funds	0	0	229,725	229,725
Total Fund Balances	<u>\$ 2,627,956</u>	<u>\$ 45</u>	<u>\$ 229,725</u>	<u>\$ 2,857,726</u>
Total Liabilities and Fund Balances	<u>\$ 3,442,600</u>	<u>\$ 40,739</u>	<u>\$ 229,725</u>	<u>\$ 3,713,064</u>

Exhibit I-3

Hancock County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Hancock County School Department
June 30, 2009

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)		\$	2,857,726
(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		96,642	
Add: building and improvements net of accumulated depreciation		11,939,300	
Add: machinery and equipment net of accumulated depreciation		<u>630,511</u>	13,119,603
(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	\$	(30,000)	
Less: other postemployment benefits liability		<u>(75,254)</u>	(105,254)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>48,435</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>15,920,510</u></u>

Exhibit I-4

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2009

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Funds Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 877,788	\$ 0	\$ 0	\$ 877,788
Licenses and Permits	342	0	0	342
Charges for Current Services	0	0	124,572	124,572
Other Local Revenues	35,138	0	2,357	37,495
State of Tennessee	6,936,031	0	31,797	6,967,828
Federal Government	30,844	1,166,708	493,022	1,690,574
Other Governments and Citizens Groups	84,225	0	0	84,225
Total Revenues	<u>\$ 7,964,368</u>	<u>\$ 1,166,708</u>	<u>\$ 651,748</u>	<u>\$ 9,782,824</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,070,187	\$ 823,720	\$ 0	\$ 4,893,907
Support Services	2,636,543	288,582	0	2,925,125
Operation of Non-Instructional Services	687,876	62,499	556,295	1,306,670
Capital Outlay	29,017	0	0	29,017
Debt Service:				
Other Debt Service	511,826	0	0	511,826
Total Expenditures	<u>\$ 7,935,449</u>	<u>\$ 1,174,801</u>	<u>\$ 556,295</u>	<u>\$ 9,666,545</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 28,919</u>	<u>\$ (8,093)</u>	<u>\$ 95,453</u>	<u>\$ 116,279</u>
Net Change in Fund Balances	\$ 28,919	\$ (8,093)	\$ 95,453	\$ 116,279
Fund Balance, July 1, 2008	2,599,037	8,138	134,272	2,741,447
Fund Balance, June 30, 2009	<u>\$ 2,627,956</u>	<u>\$ 45</u>	<u>\$ 229,725</u>	<u>\$ 2,857,726</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, 2009

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)		\$ 116,279
(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	\$ 100,541	
Less: current year depreciation expense	<u>(508,764)</u>	(408,223)
(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	\$ 430	
Less: proceeds from sale of capital assets	<u>(700)</u>	(270)
(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, 2009	\$ 48,435	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(46,425)</u>	2,010
(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	\$ 7,500	
Change in other postemployment benefits liability	<u>(39,883)</u>	<u>(32,383)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (322,587)</u>

Exhibit I-6

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hancock County School Department
General Purpose School Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 877,788	\$ 879,760	\$ 879,760	\$ (1,972)
Licenses and Permits	342	600	600	(258)
Other Local Revenues	35,138	49,275	25,275	9,863
State of Tennessee	6,936,031	6,846,857	6,992,575	(56,544)
Federal Government	30,844	56,969	31,557	(713)
Other Governments and Citizens Groups	84,225	0	24,000	60,225
Total Revenues	<u>\$ 7,964,368</u>	<u>\$ 7,833,461</u>	<u>\$ 7,953,767</u>	<u>\$ 10,601</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,044,148	\$ 3,124,570	\$ 3,104,513	\$ 60,365
Special Education Program	579,422	597,285	629,035	49,613
Vocational Education Program	424,445	415,327	427,529	3,084
Adult Education Program	22,172	22,252	22,396	224
<u>Support Services</u>				
Attendance	46,117	46,170	46,170	53
Health Services	111,855	121,292	113,577	1,722
Other Student Support	227,688	209,277	229,619	1,931
Regular Instruction Program	428,841	365,298	439,805	10,964
Special Education Program	38,528	83,886	45,375	6,847
Vocational Education Program	35,060	67,864	67,769	32,709
Adult Programs	34,904	38,259	36,807	1,903
Other Programs	25,829	0	25,829	0
Board of Education	192,766	192,931	201,393	8,627
Director of Schools	111,324	121,188	117,188	5,864
Office of the Principal	257,627	260,425	259,472	1,845
Fiscal Services	77,751	80,864	80,664	2,913
Operation of Plant	507,755	493,079	521,980	14,225
Maintenance of Plant	107,489	78,664	112,341	4,852
Transportation	433,009	530,033	514,461	81,452
Central and Other	0	2,287	2,287	2,287
<u>Operation of Non-Instructional Services</u>				
Community Services	57,756	62,518	62,518	4,762
Early Childhood Education	630,120	630,121	630,121	1
<u>Capital Outlay</u>				
Regular Capital Outlay	29,017	700,000	700,000	670,983
<u>Other Debt Service</u>				
Education	511,826	781,000	781,000	269,174
Total Expenditures	<u>\$ 7,935,449</u>	<u>\$ 9,024,590</u>	<u>\$ 9,171,849</u>	<u>\$ 1,236,400</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,919</u>	<u>\$ (1,191,129)</u>	<u>\$ (1,218,082)</u>	<u>\$ 1,247,001</u>
Net Change in Fund Balance	\$ 28,919	\$ (1,191,129)	\$ (1,218,082)	\$ 1,247,001
Fund Balance, July 1, 2008	<u>2,599,037</u>	<u>1,191,129</u>	<u>1,218,082</u>	<u>1,380,955</u>
Fund Balance, June 30, 2009	<u>\$ 2,627,956</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,627,956</u>

Exhibit I-7

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hancock County School Department
School Federal Projects Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,166,708	\$ 1,305,475	\$ 1,303,363	\$ (136,655)
Total Revenues	\$ 1,166,708	\$ 1,305,475	\$ 1,303,363	\$ (136,655)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 573,865	\$ 602,654	\$ 595,227	\$ 21,362
Special Education Program	218,835	262,295	263,365	44,530
Vocational Education Program	31,020	31,020	31,020	0
<u>Support Services</u>				
Other Student Support	76,361	89,385	83,770	7,409
Regular Instruction Program	190,289	251,727	251,657	61,368
Vocational Education Program	700	700	700	0
Transportation	21,232	23,398	23,328	2,096
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	62,499	52,499	62,499	0
Total Expenditures	\$ 1,174,801	\$ 1,313,678	\$ 1,311,566	\$ 136,765
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,093)	\$ (8,203)	\$ (8,203)	\$ 110
Net Change in Fund Balance	\$ (8,093)	\$ (8,203)	\$ (8,203)	\$ 110
Fund Balance, July 1, 2008	8,138	8,203	8,203	(65)
Fund Balance, June 30, 2009	\$ 45	\$ 0	\$ 0	\$ 45

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 124,572	\$ 83,000	\$ 83,000	\$ 41,572
Other Local Revenues	2,357	4,000	4,000	(1,643)
State of Tennessee	31,797	12,000	12,000	19,797
Federal Government	493,022	379,400	379,400	113,622
Total Revenues	<u>\$ 651,748</u>	<u>\$ 478,400</u>	<u>\$ 478,400</u>	<u>\$ 173,348</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 556,295	\$ 612,519	\$ 612,519	\$ 56,224
Total Expenditures	<u>\$ 556,295</u>	<u>\$ 612,519</u>	<u>\$ 612,519</u>	<u>\$ 56,224</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 95,453</u>	<u>\$ (134,119)</u>	<u>\$ (134,119)</u>	<u>\$ 229,572</u>
Net Change in Fund Balance	\$ 95,453	\$ (134,119)	\$ (134,119)	\$ 229,572
Fund Balance, July 1, 2008	134,272	134,119	134,119	153
Fund Balance, June 30, 2009	<u>\$ 229,725</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 229,725</u>

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, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Ambulance	\$ 80,000	3.76 %	7-18-08	7-18-11	\$ 0	\$ 80,000	0	\$ 80,000
Ambulance	77,227	5.52	9-12-07	9-12-10	77,227	0	25,742	51,485
EMS Building	80,000	3.75	6-24-08	6-24-11	80,000	0	26,667	53,333
Ambulance	64,899	4.45	8-29-05	8-29-08	21,633	0	21,633	0
Total Payable through General Fund					\$ 178,860	\$ 80,000	\$ 74,042	\$ 184,818
<u>Payable through General Debt Service Fund</u>								
Elevator	25,000	4.17	11-4-05	11-4-08	8,334	0	8,334	0
Hospital Re-roof	30,000	4.17	11-4-05	11-4-08	10,000	0	10,000	0
Total Payable through General Debt Service Fund					\$ 18,334	\$ 0	\$ 18,334	\$ 0
Total Notes Payable					\$ 197,194	\$ 80,000	\$ 92,376	\$ 184,818
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 10,880,000	\$ 0	\$ 300,000	\$ 10,580,000
Refunding Issue	945,000	Variable	6-28-02	5-25-17	635,000	0	60,000	575,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	1,201,570	0	49,000	1,152,570
Total Payable through General Debt Service Fund					\$ 12,716,570	\$ 0	\$ 409,000	\$ 12,307,570
Total Other Loans Payable					\$ 12,716,570	\$ 0	\$ 409,000	\$ 12,307,570
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	135,602	4.45	12-15-08	12-15-11	\$ 0	\$ 135,602	\$ 36,145	\$ 99,457
Total Payable through General Fund					\$ 0	\$ 135,602	\$ 36,145	\$ 99,457
Total Capital Leases Payable					\$ 0	\$ 135,602	\$ 36,145	\$ 99,457

(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 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
F.H.A. Industrial Development Bond	\$ 85,000	4.875 %	3-26-1998	3-26-36	\$ 74,831	\$ 0	\$ 1,309	\$ 73,522
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	5,040,000	0	240,000	4,800,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	180,000	0	30,000	150,000
Elevator Bond (A)	132,000	4.25	1-11-07	1-11-45	130,546	0	1,516	129,030
Elevator Bond (B)	93,000	4.375	8-18-06	8-18-44	92,005	0	1,039	90,966
Total Payable through General Debt Service Fund					\$ 5,517,382	\$ 0	\$ 273,864	\$ 5,243,518
Total Bonds Payable					\$ 5,517,382	\$ 0	\$ 273,864	\$ 5,243,518

Exhibit J-2

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

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2010	\$ 79,076	\$ 7,685	86,761
2011	79,076	4,344	83,420
2012	26,666	1,003	27,669
Total	\$ 184,818	\$ 13,032	\$ 197,850

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2010	\$ 442,000	\$ 57,521	\$ 57,997	\$ 557,518
2011	477,000	55,501	55,768	588,269
2012	501,000	53,316	53,371	607,687
2013	524,000	51,020	50,858	625,878
2014	559,000	48,617	48,235	655,852
2015	613,000	46,050	45,445	704,495
2016	638,000	43,227	42,407	723,634
2017	672,000	40,289	39,245	751,534
2018	632,000	37,191	35,923	705,114
2019	658,000	34,213	33,034	725,247
2020	695,000	31,112	30,028	756,140
2021	736,000	27,834	26,857	790,691
2022	768,000	24,361	23,503	815,864
2023	800,000	20,736	20,005	840,741
2024	842,000	16,959	16,362	875,321
2025	878,000	12,982	12,532	903,514
2026	905,000	8,833	8,541	922,374
2027	947,000	4,556	4,428	955,984
2028	20,570	80	127	20,777
Total	\$ 12,307,570	\$ 614,398	\$ 604,666	\$ 13,526,634

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2010	\$ 31,719	\$ 4,426	36,145
2011	33,131	3,014	36,145
2012	34,607	1,539	36,146
Total	\$ 99,457	\$ 8,979	\$ 108,436

(Continued)

Exhibit J-2

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

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2010	\$ 274,037	\$ 293,343	\$ 567,380
2011	274,219	277,369	551,588
2012	274,409	262,154	536,563
2013	274,607	246,929	521,536
2014	274,814	232,298	507,112
2015	245,031	216,454	461,485
2016	245,257	202,601	447,858
2017	245,494	188,738	434,232
2018	245,741	175,312	421,053
2019	245,999	160,979	406,978
2020	246,269	147,082	393,351
2021	246,551	133,174	379,725
2022	246,846	119,551	366,397
2023	247,155	105,316	352,471
2024	247,478	91,368	338,846
2025	247,814	77,404	325,218
2026	248,167	63,574	311,741
2027	248,535	49,430	297,965
2028	248,920	35,418	284,338
2029	249,322	21,390	270,712
2030	9,743	7,342	17,085
2031	10,182	6,903	17,085
2032	10,641	6,443	17,084
2033	11,123	5,963	17,086
2034	11,625	5,461	17,086
2035	12,148	4,937	17,085
2036	12,570	4,515	17,085
2037	8,307	3,821	12,128
2038	8,664	3,464	12,128
2039	9,037	3,091	12,128
2040	9,426	2,702	12,128
2041	9,831	2,297	12,128
2042	10,254	1,874	12,128
2043	10,695	1,433	12,128
2044	11,155	973	12,128
2045	11,452	493	11,945
Total	\$ 5,243,518	\$ 3,161,596	\$ 8,405,114

Exhibit J-3

Hancock County, Tennessee
Schedule of Notes Receivable
Discretely Presented Hancock County School Department
June 30, 2009

<u>Description</u>	<u>Original Amount of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-09</u>
<u>General Purpose School Fund</u>					
Promissory Note - Former Teacher Tuition Reimbursement	\$ 7,669	7-1-06	N/A	0%	\$ 7,669
Total Notes Receivable					\$ 7,669

Exhibit J-4

Hancock County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Health Department	Operations	\$ 53,000
Other Special Revenue	General	Operations	85,700
Total Transfers			<u>\$ 138,700</u>

Exhibit J-5

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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 65,600	\$ 25,000	Auto-Owners Mutual Ins. Co.
Road Superintendent	Section 8-24-102, <u>TCA</u>	57,477	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	76,853 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,251	450,000	Auto-Owners Mutual Ins. Co.
Assessor of Property:				
Wayne Wallen (7-1-08 through 8-31-08)	Section 8-24-102, <u>TCA</u>	8,709	10,000	Western Surety Company
William Seal (9-1-08 through 6-30-09)	Section 8-24-102, <u>TCA</u>	43,542	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	"
Circuit and General Sessions				
Courts Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	Auto-Owners Mutual Ins. Co.
Clerk and Master	Section 8-24-102, <u>TCA</u>	52,251 (2)	25,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	52,251	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	57,477 (3)	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 \$500.

(2) Does not include special commissioner fees of \$6,750.

(3) Does not include a county workhouse supplement of \$5,000 or a law enforcement training supplement of \$600.

Exhibit J-6

Hancock County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2009

	Special Revenue Funds							Total	
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
									Debt Service Fund
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,158,459	\$ 194,563	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,527	\$ 0	\$ 1,441,549
Trustee's Collections - Prior Year	42,659	6,656	0	0	0	0	0	0	49,315
Circuit/Clerk & Master Collections - Prior Years	28,965	10,299	0	0	0	0	7,155	0	46,419
Interest and Penalty	7,166	1,136	0	0	0	0	111	0	8,413
Payments in-Lieu-of Taxes - T.V.A.	19	3	0	0	0	0	1	0	23
<u>County Local Option Taxes</u>									
Local Option Sales Tax	53,972	0	0	0	0	0	0	0	53,972
Wheel Tax	55,575	0	0	0	0	0	0	0	55,575
Litigation Tax - General	10,303	0	0	0	0	0	0	0	10,303
Litigation Tax - Jail, Workhouse, or Courthouse	6,500	0	0	0	0	0	0	0	6,500
Business Tax	25,672	0	0	0	0	0	0	0	25,672
Other County Local Option Taxes	9,567	0	0	0	0	0	0	0	9,567
<u>Statutory Local Taxes</u>									
Bank Excise Tax	8,493	0	0	0	0	0	0	0	8,493
Wholesale Beer Tax	6,515	1,078	0	0	0	0	395	0	7,988
Interstate Telecommunications Tax	691	0	0	0	0	0	0	0	691
Total Local Taxes	\$ 1,414,556	\$ 213,735	\$ 0	\$ 0	\$ 0	\$ 0	\$ 96,189	\$ 0	\$ 1,724,480
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 4,528	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,528
Officers Costs	302	0	0	0	0	0	0	0	302
Data Entry Fee - Circuit Court	40	0	0	0	0	0	0	0	40
<u>General Sessions Court</u>									
Fines	19,698	0	0	0	0	0	0	0	19,698
Officers Costs	5,996	0	0	0	0	0	0	0	5,996
Game and Fish Fines	20	0	0	0	0	0	0	0	20
Drug Control Fines	6,298	0	1,228	0	0	0	0	0	7,526
Data Entry Fee - General Sessions Court	1,259	0	0	0	0	0	0	0	1,259

(Continued)

Exhibit J-6

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees		Highway / Public Works	General Debt Service	Capital Projects	Fund	
					General	Debt					
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Chancery Court</u>											
Officers Costs	\$ 379	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 379
Data Entry Fee - Chancery Court	166	0	0	0	0	0	0	0	0	0	166
<u>Judicial District Drug Program</u>											
Drug Task Force Forfeitures and Seizures	75	0	500	0	0	0	0	0	0	0	575
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	12	0	0	0	0	0	0	0	0	0	12
Total Fines, Forfeitures, and Penalties	\$ 38,773	\$ 0	\$ 1,728	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,501
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Tipping Fees	\$ 0	\$ 9,005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,005
Patient Charges	553,192	0	0	1,816,963	0	0	0	0	0	0	2,370,155
Work Release Charges for Board	19,568	0	0	0	0	0	0	0	0	0	19,568
Other General Service Charges	14,142	0	0	0	0	0	0	0	0	0	14,142
<u>Fees</u>											
Copy Fees	476	0	0	0	0	0	0	0	0	0	476
Telephone Commissions	14,171	0	0	0	0	0	0	0	0	0	14,171
Vending Machine Collections	475	0	0	0	0	0	0	0	0	0	475
Constitutional Officers' Fees and Commissions	0	0	0	0	47	0	0	0	0	0	47
Special Commissioner Fees/Special Master Fees	0	0	0	0	6,750	0	0	0	0	0	6,750
Data Processing Fee - Register	2,420	0	0	0	0	0	0	0	0	0	2,420
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	0	0	0	600
Total Charges for Current Services	\$ 605,044	\$ 9,005	\$ 0	\$ 1,816,963	\$ 6,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,437,809
<u>Other Local Revenues</u>											
<u>Recurring Items</u>											
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,164	\$ 0	\$ 0	\$ 162,164
Sale of Materials and Supplies	0	0	0	0	0	23,580	0	0	0	0	23,580
Commissary Sales	92,158	0	0	0	0	0	0	0	0	0	92,158
Miscellaneous Refunds	13,446	0	0	0	0	43	13	0	0	0	13,502

(Continued)

Exhibit J-6

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Debt Service Fund	Capital Projects Fund	General Capital Projects	
<u>Other Local Revenues (Cont.)</u>											
<u>Nonrecurring Items</u>											
Sale of Equipment	\$ 13,485	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,485
Sale of Property	60,000	0	0	0	0	0	0	0	0	0	60,000
Total Other Local Revenues	\$ 179,089	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,623	\$ 162,177	\$ 0	\$ 0	\$ 0	\$ 364,889
<u>Fees Received from County Officials</u>											
<u>Fees in-Lieu-of Salary</u>											
County Clerk	\$ 48,151	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,151
Circuit Court Clerk	4,983	0	0	0	0	0	0	0	0	0	4,983
General Sessions Court Clerk	38,153	0	0	0	0	0	0	0	0	0	38,153
Clerk and Master	8,604	0	0	0	0	0	0	0	0	0	8,604
Register	21,659	0	0	0	0	0	0	0	0	0	21,659
Sheriff	901	0	0	0	0	0	0	0	0	0	901
Trustee	109,873	0	0	0	0	0	0	0	0	0	109,873
Total Fees Received from County Officials	\$ 232,324	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 232,324
<u>State of Tennessee</u>											
<u>General Government Grants</u>											
Juvenile Services Program	\$ 11,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,250
State Reappraisal Grant	3,641	0	0	0	0	0	0	0	0	0	3,641
Solid Waste Grants	0	3,758	0	0	0	0	0	0	0	0	3,758
Other General Government Grants	2,500	0	0	0	0	0	0	0	0	0	2,500
Public Safety Grants											
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	0	0	0	7,800
Public Works Grants											
Litter Program	25,500	0	0	0	0	0	0	0	0	0	25,500
Other State Revenues											
Income Tax	2,466	113	0	0	0	0	0	0	0	0	2,579
Beer Tax	18,701	0	0	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	16,485	0	0	0	0	0	0	0	0	0	16,485
State Revenue Sharing - T.V.A.	215,902	0	0	0	0	0	0	0	0	0	215,902

(Continued)

Exhibit J-6

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	Debt Service		Capital Projects		
							General Debt Service	General Capital Projects			
<u>State of Tennessee (Cont.)</u>											
<u>Other State Revenues (Cont.)</u>											
Emergency Hospital - Prisoners Board of Jurors	\$ 9,584	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,584
Contracted Prisoner Boarding Gasoline and Motor Fuel Tax	28,912	0	0	0	0	0	0	0	0	0	28,912
Petroleum Special Tax	977,325	0	0	0	0	1,239,566	0	0	0	0	977,325
Registrar's Salary Supplement	0	0	0	0	0	5,445	0	0	0	0	1,239,566
Other State Grants	10,817	0	0	0	0	0	0	0	0	0	5,445
Other State Revenues	3,500	0	0	0	0	0	0	0	0	0	10,817
Total State of Tennessee	1,000	0	0	0	0	0	0	0	0	0	3,500
<u>Total State of Tennessee</u>	\$ 1,335,383	\$ 3,871	\$ 0	\$ 0	\$ 0	\$ 1,245,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,584,265
<u>Federal Government</u>											
<u>Federal Through State</u>											
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,000	\$ 90,000
Other Federal through State Direct Federal Revenue	96,440	0	0	0	0	0	0	0	0	0	96,440
Other Direct Federal Revenue	46,628	0	0	0	0	0	0	0	0	0	46,628
Total Federal Government	\$ 143,068	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,000	\$ 233,068
<u>Other Governments and Citizens Groups</u>											
<u>Other Governments</u>											
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 516,783	\$ 516,783
Contracted Services	75,730	0	0	0	0	0	0	0	0	0	75,730
Other	2,734	0	0	0	0	0	0	0	0	646,311	649,045
Total Other Governments and Citizens Groups	\$ 78,464	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,163,094	\$ 0	\$ 1,241,558
<u>Total</u>	\$ 4,026,701	\$ 226,611	\$ 1,728	\$ 1,816,963	\$ 6,797	\$ 1,268,634	\$ 1,421,460	\$ 90,000	\$ 8,858,894		

Exhibit J-7

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 566,004	\$ 0	\$ 0	\$ 566,004
Trustee's Collections - Prior Year	19,363	0	0	19,363
Circuit/Clerk & Master Collections - Prior Years	26,522	0	0	26,522
Interest and Penalty	3,303	0	0	3,303
Payments in-Lieu-of Taxes - T.V.A.	9	0	0	9
<u>County Local Option Taxes</u>				
Local Option Sales Tax	207,542	0	0	207,542
Wheel Tax	51,044	0	0	51,044
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	3,137	0	0	3,137
Interstate Telecommunications Tax	864	0	0	864
Total Local Taxes	<u>\$ 877,788</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 877,788</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 342	\$ 0	\$ 0	\$ 342
Total Licenses and Permits	<u>\$ 342</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 342</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 124,572	\$ 124,572
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,572</u>	<u>\$ 124,572</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 2,357	\$ 2,357
Lease/Rentals	675	0	0	675
Miscellaneous Refunds	22,374	0	0	22,374
<u>Nonrecurring Items</u>				
Sale of Equipment	700	0	0	700
Damages Recovered from Individuals	71	0	0	71
Contributions and Gifts	5,249	0	0	5,249
<u>Other Local Revenues</u>				
Other Local Revenues	6,069	0	0	6,069
Total Other Local Revenues	<u>\$ 35,138</u>	<u>\$ 0</u>	<u>\$ 2,357</u>	<u>\$ 37,495</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 25,829	\$ 0	\$ 0	\$ 25,829
<u>State Education Funds</u>				
Basic Education Program	5,936,370	0	0	5,936,370
School Food Service	0	0	31,797	31,797
Other State Education Funds	819,237	0	0	819,237
Career Ladder Program	91,446	0	0	91,446
Career Ladder - Extended Contract	44,970	0	0	44,970
<u>Other State Revenues</u>				
Income Tax	495	0	0	495
Other State Revenues	17,684	0	0	17,684
Total State of Tennessee	<u>\$ 6,936,031</u>	<u>\$ 0</u>	<u>\$ 31,797</u>	<u>\$ 6,967,828</u>

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 336,984	\$ 336,984
Breakfast	0	0	144,500	144,500
USDA - Other	0	0	11,538	11,538
Adult Education State Grant Program	30,844	0	0	30,844
Vocational Education - Basic Grants to States	0	35,219	0	35,219
Title I Grants to Local Education Agencies	0	697,322	0	697,322
Special Education - Grants to States	0	238,574	0	238,574
Special Education Preschool Grants	0	8,148	0	8,148
Safe and Drug-Free Schools - State Grants	0	7,093	0	7,093
Rural Education	0	26,312	0	26,312
Eisenhower Professional Development State Grants	0	86,010	0	86,010
Other Federal through State	0	68,030	0	68,030
Total Federal Government	\$ 30,844	\$ 1,166,708	\$ 493,022	\$ 1,690,574
<u>Other Governments and Citizens Groups</u>				
<u>Other</u>				
Other	\$ 84,225	\$ 0	\$ 0	\$ 84,225
Total Other Governments and Citizens Groups	\$ 84,225	\$ 0	\$ 0	\$ 84,225
Total	\$ 7,964,368	\$ 1,166,708	\$ 651,748	\$ 9,782,824

Exhibit J-8

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	36,365	
Social Security		2,782	
Unemployment Compensation		11	
Audit Services		350	
Contributions		18,850	
Dues and Memberships		3,822	
Legal Notices, Recording, and Court Costs		1,992	
Travel		1,632	
Other Charges		10,325	
Total County Commission			\$ 76,129

County Mayor/Executive

County Official/Administrative Officer	\$	65,600	
Secretary(ies)		32,868	
Social Security		7,593	
Unemployment Compensation		31	
Communication		10,991	
Data Processing Services		7,246	
Dues and Memberships		168	
Postal Charges		1,979	
Travel		6,521	
Office Supplies		6,903	
Premiums on Corporate Surety Bonds		310	
Total County Mayor/Executive			140,210

County Attorney

Other Contracted Services	\$	15,000	
Total County Attorney			15,000

Election Commission

County Official/Administrative Officer	\$	47,026	
Other Salaries and Wages		540	
Election Commission		5,925	
Election Workers		11,892	
Social Security		4,051	
Unemployment Compensation		17	
Communication		1,937	
Data Processing Services		6,900	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		2,157	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Maintenance and Repair Services - Equipment	\$	390	
Postal Charges		1,050	
Printing, Stationery, and Forms		1,679	
Rentals		1,500	
Travel		3,150	
Other Contracted Services		2,270	
Data Processing Supplies		161	
Office Supplies		485	
Office Equipment		910	
Total Election Commission			\$ 92,240

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		18,133	
Social Security		5,367	
Unemployment Compensation		84	
Communication		1,804	
Data Processing Services		1,734	
Dues and Memberships		557	
Postal Charges		200	
Travel		1,825	
Office Supplies		3,208	
Premiums on Corporate Surety Bonds		100	
Office Equipment		1,764	
Total Register of Deeds			87,027

County Buildings

Maintenance and Repair Services - Buildings	\$	8,857	
Other Contracted Services		9,288	
Custodial Supplies		14,477	
Electricity		41,931	
Water and Sewer		8,627	
Other Supplies and Materials		5,963	
Total County Buildings			89,143

Finance

Purchasing

Data Processing Personnel	\$	53,488	
Social Security		4,092	
Unemployment Compensation		255	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Purchasing (Cont.)

Travel	\$	70	
Office Supplies		2,430	
Data Processing Equipment		14,002	
Total Purchasing			\$ 74,337

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		23,898	
Social Security		5,825	
Unemployment Compensation		84	
Audit Services		1,105	
Communication		1,086	
Data Processing Services		4,517	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		151	
Postal Charges		138	
Travel		1,948	
Office Supplies		976	
Other Supplies and Materials		324	
Premiums on Corporate Surety Bonds		117	
Total Property Assessor's Office			92,520

Reappraisal Program

Clerical Personnel	\$	12,668	
Social Security		969	
Unemployment Compensation		89	
Contracts with Government Agencies		1,933	
Maintenance and Repair Services - Vehicles		1,025	
Gasoline		523	
Lubricants		105	
Vehicle Parts		470	
Premiums on Corporate Surety Bonds		100	
Vehicle and Equipment Insurance		382	
Motor Vehicles		500	
Total Reappraisal Program			18,764

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		22,174	
Social Security		5,694	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Unemployment Compensation	\$	84	
Communication		2,005	
Data Processing Services		3,916	
Dues and Memberships		374	
Legal Notices, Recording, and Court Costs		603	
Postal Charges		2,394	
Office Supplies		2,212	
Premiums on Corporate Surety Bonds		3,273	
Total County Trustee's Office			\$ 94,980

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		43,828	
Part-time Personnel		60	
Other Per Diem and Fees		550	
Social Security		7,392	
Unemployment Compensation		190	
Communication		1,513	
Data Processing Services		3,088	
Dues and Memberships		429	
Postal Charges		268	
Travel		1,918	
Office Supplies		1,578	
Premiums on Corporate Surety Bonds		200	
Total County Clerk's Office			113,265

Other Finance

Trustee's Commission	\$	50,872	
Total Other Finance			50,872

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		37,227	
Jury and Witness Fees		8,434	
Social Security		6,845	
Unemployment Compensation		168	
Communication		2,151	
Dues and Memberships		299	
Postal Charges		133	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Supplies	\$	4,297	
Premiums on Corporate Surety Bonds		342	
Total Circuit Court			\$ 112,147

General Sessions Court

Judge(s)	\$	59,716	
Social Security		4,568	
Travel		2,119	
Total General Sessions Court			66,403

Chancery Court

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		18,608	
Other Salaries and Wages		420	
Social Security		5,453	
Unemployment Compensation		84	
Communication		2,999	
Dues and Memberships		359	
Operating Lease Payments		1,893	
Maintenance and Repair Services - Office Equipment		75	
Postal Charges		200	
Travel		2,029	
Office Supplies		3,051	
Premiums on Corporate Surety Bonds		200	
Office Equipment		1,087	
Total Chancery Court			88,709

District Attorney General

Other Contracted Services	\$	7,575	
Total District Attorney General			7,575

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	62,477	
Deputy(ies)		127,575	
Investigator(s)		36,973	
In-Service Training		7,700	
Social Security		17,918	
Unemployment Compensation		905	
Dues and Memberships		2,130	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance Agreements	\$	680	
Maintenance and Repair Services - Vehicles		1,231	
Tow-in Services		3,685	
Gasoline		44,594	
Law Enforcement Supplies		1,950	
Lubricants		1,629	
Tires and Tubes		3,663	
Uniforms		4,044	
Vehicle Parts		12,192	
Liability Insurance		35,263	
Premiums on Corporate Surety Bonds		3,425	
Vehicle and Equipment Insurance		28,784	
Motor Vehicles		135,177	
Total Sheriff's Department			\$ 531,995

Jail

Accountants/Bookkeepers	\$	12,362
Medical Personnel		22,083
Dispatchers/Radio Operators		116,675
Guards		238,946
Clerical Personnel		19,389
Cafeteria Personnel		19,996
Custodial Personnel		15,561
Social Security		33,960
Unemployment Compensation		3,006
Communication		16,872
Operating Lease Payments		3,353
Legal Notices, Recording, and Court Costs		376
Maintenance Agreements		296
Maintenance and Repair Services - Buildings		1,014
Maintenance and Repair Services - Equipment		404
Medical and Dental Services		49,485
Postal Charges		1,971
Transportation - Other than Students		170
Travel		10,133
Other Contracted Services		9,587
Custodial Supplies		24,951
Drugs and Medical Supplies		561
Electricity		61,345
Food Preparation Supplies		210

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Food Supplies	\$	175,317	
General Construction Materials		1,196	
Office Supplies		2,716	
Water and Sewer		34,672	
Other Supplies and Materials		17,596	
Judgments		10,000	
Other Charges		778	
Office Equipment		45	
Other Equipment		12,303	
Total Jail			\$ 917,329

Juvenile Services

Youth Service Officer(s)	\$	10,927	
Social Security		836	
Unemployment Compensation		86	
Communication		736	
Dues and Memberships		315	
Travel		456	
Other Contracted Services		47,045	
Office Supplies		56	
Total Juvenile Services			60,457

Commissary

Other Supplies and Materials	\$	16,430	
Other Charges		24,445	
Total Commissary			40,875

Civil Defense

Other Salaries and Wages	\$	5,400	
In-Service Training		425	
Social Security		413	
Unemployment Compensation		65	
Communication		3	
Maintenance and Repair Services - Vehicles		1,114	
Diesel Fuel		924	
Other Supplies and Materials		3,779	
Vehicle and Equipment Insurance		21,980	
Other Charges		944	
Total Civil Defense			35,047

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

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

County Coroner/Medical Examiner

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

Other Public Safety

Road Signs	\$ 4,460	
Total Other Public Safety		4,460

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 10,787	
Social Security	825	
Unemployment Compensation	68	
Travel	398	
Other Supplies and Materials	7,326	
Total Local Health Center		19,404

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 40,787
Medical Personnel	307,953
Clerical Personnel	108
Part-time Personnel	86,863
Overtime Pay	264
In-Service Training	2,033
Social Security	33,836
Unemployment Compensation	2,027
Communication	3,908
Data Processing Services	37,987
Dues and Memberships	2,470
Legal Notices, Recording, and Court Costs	86
Licenses	1,750
Maintenance and Repair Services - Buildings	7,416
Maintenance and Repair Services - Vehicles	5,670
Medical and Dental Services	709
Postal Charges	772
Travel	3,191
Other Contracted Services	3,880

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Custodial Supplies	\$	3,097	
Diesel Fuel		23,360	
Drugs and Medical Supplies		35,093	
Electricity		8,573	
Lubricants		1,129	
Office Supplies		1,075	
Tires and Tubes		5,904	
Uniforms		1,135	
Vehicle Parts		23,426	
Water and Sewer		1,242	
Other Supplies and Materials		10,067	
Refunds		8,078	
Vehicle and Equipment Insurance		22,772	
Other Charges		219	
Communication Equipment		192	
Motor Vehicles		80,499	
Office Equipment		7,423	
Health Equipment		8,673	
Other Equipment		1,001	
Total Ambulance/Emergency Medical Services			\$ 784,668

Alcohol and Drug Programs

Other Charges	\$	518	
Total Alcohol and Drug Programs			518

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Part-time Personnel	\$	2,479	
Social Security		190	
Unemployment Compensation		30	
Travel		204	
Other Contracted Services		550	
Other Supplies and Materials		598	
Total Other Local Health Services			4,051

Sanitation Management

Guards	\$	19,183	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Clerical Personnel	\$	2,400	
Other Salaries and Wages		300	
Social Security		1,674	
Unemployment Compensation		95	
Other Supplies and Materials		5,089	
Motor Vehicles		5,000	
Total Sanitation Management			\$ 33,741

Other Public Health and Welfare

Travel	\$	38	
Other Supplies and Materials		26	
Total Other Public Health and Welfare			64

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	7,310	
Total Senior Citizens Assistance			7,310

Libraries

Librarians	\$	19,811	
Part-time Personnel		10,769	
Social Security		2,339	
Unemployment Compensation		213	
Communication		132	
Contributions		15,600	
Library Books/Media		3,889	
Other Charges		2,500	
Total Libraries			55,253

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,806	
Rentals		6,000	
Other Contracted Services		26,880	
Custodial Supplies		75	
Electricity		1,198	
Office Supplies		202	
Water and Sewer		911	
Office Equipment		1,771	
Total Agriculture Extension Service			38,843

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Communication	\$	465	
Contributions		11,416	
Rentals		3,840	
Electricity		760	
Total Soil Conservation			\$ 16,481

Other Operations

Other Economic and Community Development

Contributions	\$	30,000	
Total Other Economic and Community Development			30,000

Public Transportation

Supervisor/Director	\$	25,010	
Bus Drivers		125,749	
Social Security		11,825	
Unemployment Compensation		734	
Communication		2,384	
Legal Notices, Recording, and Court Costs		665	
Maintenance and Repair Services - Vehicles		5,091	
Travel		287	
Gasoline		34,664	
Lubricants		2,907	
Office Supplies		1,504	
Tires and Tubes		2,573	
Vehicle Parts		7,489	
Vehicle and Equipment Insurance		25,700	
Other Charges		1,601	
Motor Vehicles		20,589	
Total Public Transportation			268,772

Veterans' Services

Other Salaries and Wages	\$	5,136	
Social Security		393	
Unemployment Compensation		62	
Communication		1,296	
Total Veterans' Services			6,887

Employee Benefits

State Retirement	\$	35,782	
Total Employee Benefits			35,782

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Notes	\$ 74,042	
Principal on Capital Leases	36,145	
Total General Government	\$ 110,187	

Interest on Debt

General Government

Interest on Notes	\$ 8,045	
Total General Government		8,045

Other Debt Service

General Government

Other Debt Service	\$ 425	
Total General Government		425

Total General Fund \$ 4,246,730

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 16,750	
Truck Drivers	39,393	
Other Salaries and Wages	29,570	
Social Security	6,612	
Unemployment Compensation	427	
Communication	784	
Contracts with Private Agencies	91,299	
Maintenance and Repair Services - Equipment	2,048	
Travel	120	
Other Contracted Services	5,823	
Crushed Stone	1,380	
Diesel Fuel	21,750	
Electricity	2,418	
Lubricants	1,882	
Tires and Tubes	6,686	
Vehicle Parts	1,592	
Other Supplies and Materials	307	
Trustee's Commission	4,363	
Vehicle and Equipment Insurance	5,101	
Other Charges	236	
Total Sanitation Management		\$ 238,541

Total Solid Waste/Sanitation Fund 238,541

(Continued)

Exhibit J-8

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

Health Department Fund

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	9,015	
Social Security		690	
Unemployment Compensation		100	
Communication		4,317	
Operating Lease Payments		2,125	
Maintenance Agreements		657	
Maintenance and Repair Services - Buildings		8,231	
Maintenance and Repair Services - Equipment		109	
Pest Control		342	
Postal Charges		1,740	
Custodial Supplies		3,971	
Drugs and Medical Supplies		510	
Electricity		16,107	
Office Supplies		1,492	
Water and Sewer		1,928	
Other Supplies and Materials		103	
Building and Contents Insurance		1,444	
Other Charges		2,819	
Total Local Health Center			\$ 55,700

Total Health Department Fund \$ 55,700

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	350	
Trustee's Commission		12	
Total Drug Enforcement			\$ 362

Total Drug Control Fund 362

Other Special Revenue Fund

Finance

Purchasing

Purchasing Personnel	\$	833	
Social Security		64	
Unemployment Compensation		10	
Total Purchasing			\$ 907

(Continued)

Exhibit J-8

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

Other Special Revenue Fund (Cont.)

Public Health and Welfare

Other Local Health Services

Supervisor/Director	\$	136,062	
Medical Personnel		244,401	
Clerical Personnel		36,643	
Other Salaries and Wages		6,820	
Board and Committee Members Fees		1,500	
In-Service Training		75	
Social Security		32,383	
Unemployment Compensation		1,486	
Audit Services		2,850	
Communication		8,039	
Contributions		100	
Dues and Memberships		400	
Operating Lease Payments		2,493	
Legal Services		25,000	
Legal Notices, Recording, and Court Costs		3,020	
Licenses		1,080	
Maintenance and Repair Services - Buildings		1,876	
Medical and Dental Services		548	
Postal Charges		2,026	
Travel		31,446	
Other Contracted Services		565,773	
Custodial Supplies		122	
Drugs and Medical Supplies		12,354	
Electricity		2,731	
General Construction Materials		55	
Office Supplies		9,623	
Water and Sewer		646	
Other Supplies and Materials		2,071	
Liability Insurance		296	
Refunds		100	
Other Charges		5,352	
Office Equipment		3,647	
Total Other Local Health Services			\$ 1,141,018

Capital Projects

Public Health and Welfare Projects

Building Purchases	\$	175,000	
Total Public Health and Welfare Projects			<u>175,000</u>

Total Other Special Revenue Fund \$ 1,316,925

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund

Administration of Justice

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 47	
Total General Sessions Court		\$ 47

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 6,750	
Total Chancery Court		<u>6,750</u>

Total Constitutional Officers - Fees Fund		\$ 6,797
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,477	
Accountants/Bookkeepers	23,500	
Laborers	307,380	
Overtime Pay	15,200	
Data Processing Services	4,772	
Office Supplies	2,714	
Utilities	11,240	
Total Administration		\$ 422,283

Highway and Bridge Maintenance

Contracts with Private Agencies	\$ 115,946	
Asphalt - Hot Mix	41,596	
Crushed Stone	138,628	
Pipe - Metal	6,454	
Other Supplies and Materials	14,112	
Total Highway and Bridge Maintenance		316,736

Operation and Maintenance of Equipment

Diesel Fuel	\$ 37,161	
Equipment and Machinery Parts	32,673	
Gasoline	29,786	
Lubricants	2,262	
Tires and Tubes	5,271	
Total Operation and Maintenance of Equipment		107,153

Other Charges

Dues and Memberships	\$ 1,952	
Trustee's Commission	12,410	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Vehicle and Equipment Insurance	\$	39,436	
Other Charges		<u>5,803</u>	
Total Other Charges	\$		59,601

Employee Benefits

Social Security	\$	30,885	
State Retirement		4,098	
Life Insurance		10,442	
Unemployment Compensation		2,387	
Other Fringe Benefits		7,299	
Workers' Compensation Insurance		<u>19,576</u>	
Total Employee Benefits			74,687

Capital Outlay

Operating Lease Payments	\$	<u>2,128</u>	
Total Capital Outlay			<u>2,128</u>

Total Highway/Public Works Fund \$ 982,588

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	273,864	
Principal on Notes		18,334	
Principal on Other Loans		<u>85,823</u>	
Total General Government	\$		378,021

Education

Principal on Other Loans	\$	<u>323,177</u>	
Total Education			323,177

Interest on Debt

General Government

Interest on Bonds	\$	304,003	
Interest on Notes		760	
Interest on Other Loans		<u>15,800</u>	
Total General Government			320,563

Education

Interest on Other Loans	\$	<u>170,686</u>	
Total Education			170,686

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	10,517	
Other Debt Service		<u>8,640</u>	
Total General Government			\$ 19,157
 <u>Education</u>			
Other Debt Service	\$	<u>51,745</u>	
Total Education			<u>51,745</u>
Total General Debt Service Fund			\$ 1,263,349
 <u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Building Construction	\$	<u>170,000</u>	
Total Public Health and Welfare Projects			<u>\$ 170,000</u>
Total General Capital Projects Fund			<u>170,000</u>
Total Governmental Funds - Primary Government			<u>\$ 8,280,992</u>

Exhibit J-9

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,326,999	
Career Ladder Program	46,000	
Career Ladder Extended Contracts	38,600	
Other Salaries and Wages	30,321	
Non-certified Substitute Teachers	27,059	
Social Security	144,521	
State Retirement	156,625	
Medical Insurance	107,389	
Unemployment Compensation	7,065	
Employer Medicare	33,799	
Instructional Supplies and Materials	7,496	
Textbooks	79,071	
Regular Instruction Equipment	39,203	
Total Regular Instruction Program		\$ 3,044,148

Special Education Program

Teachers	\$ 376,309	
Career Ladder Program	7,000	
Educational Assistants	79,423	
Non-certified Substitute Teachers	4,447	
Social Security	27,306	
State Retirement	24,576	
Medical Insurance	21,050	
Unemployment Compensation	1,806	
Employer Medicare	6,386	
Other Contracted Services	10,009	
Other Supplies and Materials	5,110	
Special Education Equipment	16,000	
Total Special Education Program		579,422

Vocational Education Program

Teachers	\$ 294,192	
Career Ladder Program	5,000	
Educational Assistants	10,413	
Non-certified Substitute Teachers	3,072	
Social Security	18,531	
State Retirement	19,208	
Medical Insurance	8,694	
Unemployment Compensation	893	

(Continued)

Exhibit J-9

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.)

Employer Medicare	\$ 4,334	
Instructional Supplies and Materials	267	
T&I Construction Materials	59,841	
Total Vocational Education Program		\$ 424,445

Adult Education Program

Teachers	\$ 5,076	
Other Salaries and Wages	14,332	
Social Security	1,194	
State Retirement	198	
Medical Insurance	119	
Unemployment Compensation	156	
Employer Medicare	279	
Other Supplies and Materials	818	
Total Adult Education Program		22,172

Support Services

Attendance

Other Salaries and Wages	\$ 42,650	
Social Security	2,638	
Unemployment Compensation	212	
Employer Medicare	617	
Total Attendance		46,117

Health Services

Other Salaries and Wages	\$ 69,508	
Social Security	3,842	
State Retirement	3,534	
Medical Insurance	6,207	
Unemployment Compensation	212	
Employer Medicare	898	
Travel	1,600	
Other Contracted Services	1,025	
Other Supplies and Materials	16,359	
Other Charges	8,670	
Total Health Services		111,855

Other Student Support

Career Ladder Program	\$ 2,000	
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(Continued)

Exhibit J-9

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.)

Guidance Personnel	\$ 101,250	
School Resource Officer	46,646	
Other Salaries and Wages	49,482	
Social Security	11,846	
State Retirement	6,629	
Medical Insurance	6,207	
Unemployment Compensation	858	
Employer Medicare	2,770	
Total Other Student Support		\$ 227,688

Regular Instruction Program

Supervisor/Director	\$ 29,112	
Career Ladder Program	4,000	
Librarians	79,975	
Materials Supervisor	46,386	
Instructional Computer Personnel	43,271	
Educational Assistants	11,214	
Other Salaries and Wages	51,440	
Social Security	15,818	
State Retirement	10,238	
Medical Insurance	7,202	
Unemployment Compensation	1,350	
Employer Medicare	3,699	
Maintenance and Repair Services - Equipment	19,165	
Travel	3,928	
Other Contracted Services	11,690	
Other Supplies and Materials	6,164	
Other Charges	14,600	
Other Equipment	69,589	
Total Regular Instruction Program		428,841

Special Education Program

Supervisor/Director	\$ 27,139	
Career Ladder Program	1,000	
Social Security	1,650	
State Retirement	1,806	
Medical Insurance	1,244	
Employer Medicare	386	
Travel	5,303	
Total Special Education Program		38,528

(Continued)

Exhibit J-9

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.)

Vocational Education Program

Supervisor/Director	\$	27,095	
Social Security		1,587	
State Retirement		1,740	
Medical Insurance		1,244	
Unemployment Compensation		110	
Employer Medicare		371	
Travel		2,904	
Other Charges		9	
Total Vocational Education Program			\$ 35,060

Adult Programs

Supervisor/Director	\$	28,512	
Career Ladder Program		1,000	
Social Security		1,737	
State Retirement		1,895	
Medical Insurance		1,244	
Unemployment Compensation		110	
Employer Medicare		406	
Total Adult Programs			34,904

Other Programs

On-Behalf Payments to OPEB	\$	25,829	
Total Other Programs			25,829

Board of Education

Board and Committee Members Fees	\$	7,800	
Social Security		446	
Unemployment Compensation		113	
Employer Medicare		104	
Audit Services		4,800	
Dues and Memberships		8,380	
Legal Services		15,700	
Travel		3,976	
Judgments		9,750	
Liability Insurance		93,591	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		30,150	
Other Charges		17,606	
Total Board of Education			192,766

(Continued)

Exhibit J-9

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.)

Director of Schools

County Official/Administrative Officer	\$	76,853	
Social Security		4,407	
State Retirement		4,934	
Medical Insurance		6,207	
Unemployment Compensation		110	
Employer Medicare		1,031	
Other Fringe Benefits		1,375	
Communication		14,032	
Postal Charges		347	
Travel		2,028	
Total Director of Schools			\$ 111,324

Office of the Principal

Principals	\$	123,278	
Career Ladder Program		3,000	
Assistant Principals		55,364	
Secretary(ies)		40,119	
Social Security		13,137	
State Retirement		11,661	
Medical Insurance		6,752	
Unemployment Compensation		702	
Employer Medicare		3,072	
Travel		542	
Total Office of the Principal			257,627

Fiscal Services

Accountants/Bookkeepers	\$	61,980	
Social Security		3,800	
Unemployment Compensation		216	
Employer Medicare		889	
Travel		267	
Other Contracted Services		7,313	
Other Supplies and Materials		3,286	
Total Fiscal Services			77,751

Operation of Plant

Custodial Personnel	\$	105,716	
Social Security		6,657	
Unemployment Compensation		928	

(Continued)

Exhibit J-9

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.)

Operation of Plant (Cont.)

Employer Medicare	\$	1,557	
Maintenance and Repair Services - Equipment		7,637	
Disposal Fees		3,388	
Other Contracted Services		7,375	
Custodial Supplies		12,082	
Electricity		314,607	
Natural Gas		19,242	
Water and Sewer		25,666	
Other Charges		2,900	
Total Operation of Plant			\$ 507,755

Maintenance of Plant

Supervisor/Director	\$	15,234	
Social Security		984	
Unemployment Compensation		102	
Employer Medicare		230	
Maintenance and Repair Services - Buildings		18,884	
Maintenance and Repair Services - Equipment		72,000	
Other Supplies and Materials		55	
Total Maintenance of Plant			107,489

Transportation

Supervisor/Director	\$	21,012	
Mechanic(s)		11,122	
Bus Drivers		167,753	
Other Salaries and Wages		28,512	
Social Security		14,044	
State Retirement		1,830	
Medical Insurance		2,157	
Unemployment Compensation		1,907	
Employer Medicare		3,295	
Maintenance and Repair Services - Vehicles		35,549	
Diesel Fuel		56,962	
Gasoline		29,522	
Tires and Tubes		5,336	
Other Charges		2,508	
Transportation Equipment		51,500	
Total Transportation			433,009

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	35,852	
Other Salaries and Wages		13,763	
Social Security		3,031	
State Retirement		2,302	
Unemployment Compensation		207	
Employer Medicare		709	
Other Supplies and Materials		420	
Other Charges		1,472	
Total Community Services	\$		57,756

Early Childhood Education

Other Salaries and Wages	\$	443,722	
Social Security		26,893	
State Retirement		16,161	
Medical Insurance		8,993	
Unemployment Compensation		2,021	
Employer Medicare		6,290	
Travel		599	
Other Supplies and Materials		125,441	
Total Early Childhood Education			630,120

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	29,017	
Total Regular Capital Outlay			29,017

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	511,826	
Total Education			511,826

Total General Purpose School Fund \$ 7,935,449

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	321,993	
Educational Assistants		76,260	
Non-certified Substitute Teachers		8,542	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	24,135	
State Retirement		20,507	
Medical Insurance		11,689	
Unemployment Compensation		1,432	
Employer Medicare		5,644	
Instructional Supplies and Materials		12,316	
Textbooks		21,979	
Other Supplies and Materials		17,574	
Other Charges		25,582	
Regular Instruction Equipment		26,212	
Total Regular Instruction Program			\$ 573,865

Special Education Program

Educational Assistants	\$	159,760	
Social Security		9,850	
Unemployment Compensation		1,570	
Employer Medicare		2,304	
Other Contracted Services		34,667	
Other Supplies and Materials		10,684	
Total Special Education Program			218,835

Vocational Education Program

Educational Assistants	\$	11,256	
Social Security		678	
Unemployment Compensation		102	
Employer Medicare		159	
Other Contracted Services		750	
Instructional Supplies and Materials		10,075	
Vocational Instruction Equipment		8,000	
Total Vocational Education Program			31,020

Support Services

Other Student Support

Maintenance and Repair Services - Equipment	\$	1,800	
Travel		7,000	
Other Contracted Services		6,057	
In Service/Staff Development		3,500	
Other Charges		58,004	
Total Other Student Support			76,361

(Continued)

Exhibit J-9

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.)

Regular Instruction Program

Supervisor/Director	\$	29,112	
Clerical Personnel		17,755	
Other Salaries and Wages		51,882	
Social Security		6,095	
State Retirement		5,200	
Unemployment Compensation		322	
Employer Medicare		1,425	
Travel		6,973	
Library Books/Media		15,000	
Textbooks		6,413	
Other Supplies and Materials		12,144	
In Service/Staff Development		25,287	
Other Charges		12,681	
Total Regular Instruction Program			\$ 190,289

Vocational Education Program

Travel	\$	700	
Total Vocational Education Program			700

Transportation

Bus Drivers	\$	19,588	
Social Security		1,215	
Unemployment Compensation		145	
Employer Medicare		284	
Total Transportation			21,232

Operation of Non-Instructional Services

Early Childhood Education

Other Salaries and Wages	\$	45,641	
Social Security		2,811	
Unemployment Compensation		306	
Employer Medicare		657	
Travel		2,355	
Other Contracted Services		4,950	
Other Supplies and Materials		5,779	
Total Early Childhood Education			62,499

Total School Federal Projects Fund \$ 1,174,801

(Continued)

Exhibit J-9

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

<u>Central Cafeteria Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Supervisor/Director	\$ 48,354	
Cafeteria Personnel	125,204	
Social Security	10,737	
State Retirement	3,104	
Unemployment Compensation	1,331	
Employer Medicare	2,511	
Maintenance and Repair Services - Equipment	6,569	
Travel	359	
Other Contracted Services	5,274	
Food Supplies	348,395	
Other Supplies and Materials	2,305	
In Service/Staff Development	1,465	
Food Service Equipment	687	
Total Food Service		<u>\$ 556,295</u>
Total Central Cafeteria Fund		<u>\$ 556,295</u>
Total Governmental Funds - Hancock County School Department		<u><u>\$ 9,666,545</u></u>

Exhibit J-10

Hancock County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balance - City Agency Fund
For the Year Ended June 30, 2009

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 154,827
Total Cash Receipts	<u>\$ 154,827</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 153,279
Trustee's Commission	1,548
Total Cash Disbursements	<u>\$ 154,827</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2008	<u>0</u>
 Cash Balance, June 30, 2009	<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 37243-1402
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 22, 2009

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

To the County Mayor and Board of 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, 2009, which collectively comprise Hancock County's basic financial statements and have issued our report thereon dated September 22, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Hancock County Emergency Communications District, 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: 09.01, 09.03, 09.05, 09.06, 09.07, and 09.11.

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 item 09.01 to be a material weakness.

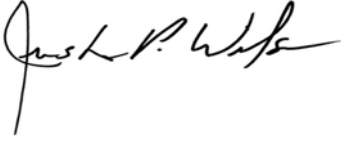
Compliance and Other Matters

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 09.02, 09.04, 09.08, and 09.09.

We consider item 09.10 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.

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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/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 37243-1402
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 22, 2009

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, 2009. 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, 2009.

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.

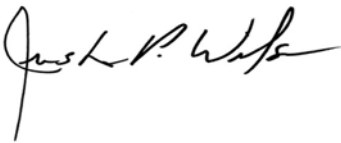
Schedule of Expenditures of Federal Awards

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, 2009, and have issued our report thereon dated September 22, 2009. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Hancock County Emergency Communications District, 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.

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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Hancock County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

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	\$ 90,000
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	38,435 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	144,500
National School Lunch Program	10.555	N/A	348,522 (3)
Total U.S. Department of Agriculture			<u>\$ 621,457</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	GG-09-25820-00	\$ 46,628
Total U.S. Department of Justice			<u>\$ 46,628</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Federal Transit - Capital Investment Grants	20.500	Z-08-212269-00	\$ 5,412
Formula Grants for Other Than Urbanized Areas	20.509	Z-09-213694-00	71,719
Total U.S. Department of Transportation			<u>\$ 77,131</u>
Appalachian Regional Commission:			
Passed-through Marshall University:			
Appalachian Area Development	23.002	(2)	\$ 63
Total Appalachian Regional Commission			<u>\$ 63</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	Z-09-213467-00	\$ 30,844
Title I Grants to Local Educational Agencies	84.010	N/A	697,276
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	246,712
Special Education - Preschool Grants	84.173	N/A	8,148
Career and Technical Education - Basic Grants to States	84.048	N/A	35,219
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	7,093
Even Start - State Educational Agencies	84.213	(2)	62,500
Education Technology State Grants	84.318	(2)	5,530
Rural Education	84.358	N/A	26,312
Improving Teacher Quality State Grants	84.367	N/A	86,011
Total U.S. Department of Education			<u>\$ 1,205,645</u>
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-0925031-00	\$ 19,309
Total U.S. Department of Health and Human Services			<u>\$ 19,309</u>
Total Expenditures of Federal Awards			<u>\$ 1,970,233</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	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-09-022858-00	\$ 11,250
Litter Program - State Department of Transportation	N/A	Z-09-212752-00	25,500
Waste Tire Grant - State Department of Transportation	N/A	Z-08-213003-00	3,758
Adult Basic Education - State Department of Education	N/A	Z-09-213467-00	11,116
Families Resource Center Grant - State Department of Education	N/A	(2)	33,300
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	420,080
Safe Schools Act Grant - State Department of Education	N/A	(2)	7,900
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	210,040
Health Department Program - State Department of Health	N/A	Z-09-213730-00	3,500
Coordinated School Health Expansion - State Department of Education	N/A	(2)	90,000
State Reappraisal - Comptroller of the Treasury	N/A	(2)	3,641
Total State Grants			\$ 820,085

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 \$386,957.

Hancock County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

HANCOCK COUNTY AND HANCOCK COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
08.01	166	Hancock County and the Hancock County School Department do not have the resources to produce financial statements and notes to the financial statements

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
08.07	170	Execution docket trial balances did not reconcile with cash journal accounts

OFFICE OF ASSESSOR OF PROPERTY

Finding Number	Page Number	Subject
08.08(b)	170-171	Rollback taxes were not calculated by the assessor for changes in use or ownership

OTHER FINDINGS

Finding Number	Page Number	Subject
08.09	171	A central system of accounting, budgeting, and purchasing was not adopted
08.10	172	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Home Health

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HANCOCK COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

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. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is 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) 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; however, management did not provide responses for inclusion in this report.

HANCOCK COUNTY AND HANCOCK COUNTY SCHOOL DEPARTMENT

FINDING 09.01 **HANCOCK COUNTY AND THE HANCOCK COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE 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 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 necessary to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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 Hancock County 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 09.02 **THE COUNTY DID NOT EMPLOY AN ARCHITECT OR ENGINEER FOR A CONSTRUCTION PROJECT**
(Noncompliance Under Government Auditing Standards)

The county did not employ a registered architect or engineer to design plans, specifications, or estimates on a construction project totaling \$170,000 for the county's new Emergency Medical Services building. Section 62-2-107, Tennessee Code Annotated, requires that a registered architect or engineer should be employed whenever construction contracts are estimated to exceed \$25,000. This deficiency results from a lack of management oversight.

RECOMMENDATION

The county should employ a registered architect or engineer for all construction projects exceeding \$25,000 as required by state statute.

FINDING 09.03 **THE OFFICE HAD DEFICIENCIES IN THE PURCHASE ORDER SYSTEM**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination revealed the following deficiencies in the purchase order system. These deficiencies can be attributed to a lack of management oversight.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than approval of the purchase.
- C. Some purchase orders did not include adequate descriptions and prices of the items to be purchased. This detailed information is necessary to identify the items to be purchased and to quantify purchasing commitments.
- D. The office prepared an outstanding purchase order listing for June 30, 2009; however, this listing was not accurate. We noted numerous purchase orders on the list that indicated purchases had been completed but entries had not been made to record the liquidation of the purchase order. Since completed purchase orders were not properly liquidated, encumbrances on the balance sheet and the budgetary comparison statement were overstated. We presented audit adjustments to management that they approved and posted to properly present encumbrances in the financial statements in this report.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before the purchase is made and should include a dollar limit and a description of the purchase. Steps should be taken to ensure that completed purchase orders are properly liquidated and the outstanding purchase order listing is accurately compiled.

FINDING 09.04 **THE OFFICE DID NOT FILE REPORTS ON DEBT OBLIGATION WITH THE STATE DIRECTOR OF LOCAL FINANCE** (Noncompliance Under Government Auditing Standards)

The office did not file Reports on Debt Obligation with the state director of Local Finance for an \$80,000 capital outlay note and a \$135,602 capital lease that were issued during the year. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state director of Local Finance for each debt issuance.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 09.05 **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT** (Internal Control – Significant Deficiency Under Government Auditing Standards)

At June 30, 2009, the School Federal Projects Fund had a cash overdraft of \$25,195. Sound business practices dictate that disbursements be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2009.

RECOMMENDATION

The School Department should not issue warrants exceeding cash on deposit with the county trustee.

OFFICES OF TRUSTEE AND COUNTY CLERK

FINDING 09.06 **THE OFFICES OF TRUSTEE AND COUNTY CLERK HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Backups were not performed daily and system backups were not stored off-site in the Offices of Trustee and County Clerk. Sound business practices dictate that backups should be performed daily with a system backup stored off-site at least weekly. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.

OFFICE OF COUNTY CLERK

FINDING 09.07 **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Since management was not aware of its importance, officials did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 09.08 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Material Noncompliance Under Government Auditing Standards)

At June 30, 2009, 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 \$56,212 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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

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.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 09.09 **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 by the assessor of property.

- A. Rollback taxes were not calculated by the assessor for changes in use or ownership of greenbelt property, which might result in the assessment of rollback taxes as required by Section 67-5-1008(d)(1), Tennessee Code Annotated. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.
- B. Incorrect codes were used to document the acceptance and rejection of sales. Likewise, rejected sales were not corrected within 90 days.

RECOMMENDATION

Rollback taxes should be calculated for all greenbelt property that had a change of use or ownership as required by state statute. The correct accept/reject codes should be used for sales, and rejected sales should be corrected within 90 days.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.10 **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 practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

FINDING 09.11 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF 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 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 management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

HANCOCK COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009

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