



**ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2010



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FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010

Scope

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2010.

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, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings and Best Practice

The following are summaries of the audit findings and best practice:

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 made unauthorized salary payments to an employee.
 - ◆ The office had deficiencies in the purchase order system.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department had deficiencies in the use of federal special education funds provided by the American Recovery and Reinvestment Act.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

OTHER FINDINGS

- ◆ 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.
 - ◆ Hancock County has material recurring audit findings.
-

BEST PRACTICE

Hancock County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hancock County.

INTRODUCTORY SECTION

Hancock County Officials

June 30, 2010

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	Dorothy 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	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

September 20, 2010

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 business-type 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, 2010, 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, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year 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, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, 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 20, 2010, on our consideration of Hancock County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

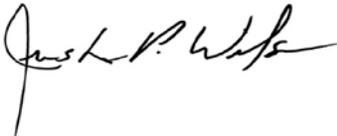
As described in Note V.B., Hancock County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010. Also, as discussed in Note V.B., Hancock County changed its reporting for the Home Health Program. That program was previously reported in governmental operations on the government-wide financial statements and as a governmental fund on the fund financial statements. Effective July 1, 2009, Hancock County began reporting the program in the business-type operations on the government-wide financial statements and in an enterprise fund on the fund financial statements.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 64 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Government			Total	Component Unit	
	Governmental Activities	Business-type Activities	Hancock County School Department			
	\$	1,397	\$	1,397	\$	3,859
Cash and Cash Equivalents						
Equity in Pooled Cash and Investments	3,438,358	752,209	0	4,190,567		2,491,278
Accounts Receivable	491,979	296,238		788,217		245
Allowance for Uncollectibles	(195,897)	(9,166)		(205,063)		0
Due from Other Governments	467,715	0		467,715		491,798
Property Taxes Receivable	1,620,217	0		1,620,217		656,290
Allowance for Uncollectible Property Taxes	(89,574)	0		(89,574)		(36,283)
Notes Receivable - Long-term	0	0		0		11,185
Deferred Charges - Debt Issuance Cost	32,900	0		32,900		0
Capital Lease Receivable	5,257,550	0		5,257,550		0
Assets Not Depreciated:						
Land	370,174	26,350		396,524		453,150
Construction in Progress	99,457	0		99,457		0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	1,870,112	336,920		2,207,032		11,708,391
Machinery and Equipment	429,562	0		429,562		674,515
Infrastructure	14,801,737	0		14,801,737		0
Total Assets	\$ 28,595,687	\$ 1,402,551	\$	\$ 29,998,238	\$	\$ 16,454,428

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>LIABILITIES</u>				
Accounts Payable	\$ 206,096	\$ 36,238	\$ 242,334	\$ 201,501
Accrued Payroll	10,937	0	10,937	0
Accrued Interest Payable	143,729	0	143,729	0
Payroll Deductions Payable	4,573	1,941	6,514	0
Due to the State of Tennessee	560	559	1,119	0
Other Current Liabilities	7,961	0	7,961	94,330
Deferred Revenue - Property Taxes	1,456,866	0	1,456,866	590,123
Noncurrent Liabilities:				
Due Within One Year	879,303	2,061	881,364	7,500
Due in More Than One Year	16,262,577	8,242	16,270,819	132,505
Total Liabilities	\$ 18,972,602	\$ 49,041	\$ 19,021,643	\$ 1,025,959
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 11,365,178	\$ 0	\$ 11,365,178	\$ 0
Invested in Capital Assets	0	363,270	363,270	12,836,056
Restricted for:				
Solid Waste/Sanitation	72,922	0	72,922	0
Highways	756,480	0	756,480	0
Debt Service	6,687,445	0	6,687,445	0
Capital Projects	881,724	0	881,724	0
State and Federal Financial Assistance Programs	0	0	0	892,344
Other	44,396	0	44,396	0
Unrestricted	(10,185,060)	990,240	(9,194,820)	1,700,069
Total Net Assets	\$ 9,623,085	\$ 1,353,510	\$ 10,976,595	\$ 15,428,469

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, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										
	Program Revenues					Primary Government					Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	County School Department		
Primary Government:											
Governmental Activities:											
General Government	\$ 532,877	\$ 28,683	\$ 154,791	\$ 0	\$ 0	\$ (349,403)	\$ 0	\$ (349,403)	\$ 0	\$ 0	
Finance	461,660	153,996	2,927	0	0	(304,737)	0	(304,737)	0	0	
Administration of Justice	299,651	111,545	0	0	0	(188,106)	0	(188,106)	0	0	
Public Safety	1,780,540	974,674	137,905	4,373	0	(663,588)	0	(663,588)	0	0	
Public Health and Welfare	1,236,424	424,209	134,881	0	0	(677,334)	0	(677,334)	0	0	
Social, Cultural, and Recreational Services	70,967	0	3,734	0	0	(67,233)	0	(67,233)	0	0	
Agriculture and Natural Resources	58,026	0	0	0	0	(58,026)	0	(58,026)	0	0	
Other Operations	497,612	84,549	78,789	92,259	0	(242,015)	0	(242,015)	0	0	
Highways	2,462,837	23,544	1,252,203	468,880	0	(718,210)	0	(718,210)	0	0	
Interest on Long-term Debt	343,114	0	0	0	0	(343,114)	0	(343,114)	0	0	
Debt Service	71,162	0	0	0	0	(71,162)	0	(71,162)	0	0	
Total Governmental Activities	\$ 7,814,870	\$ 1,801,200	\$ 1,765,230	\$ 565,512	\$ 0	\$ (3,682,928)	\$ 0	\$ (3,682,928)	\$ 0	\$ 0	
Business-type Activities:											
Home Health	\$ 2,057,403	\$ 2,358,382	\$ 0	\$ 0	\$ 0	\$ 300,979	\$ 300,979	\$ 300,979	\$ 0	\$ 0	
Total Business-type Activities	\$ 2,057,403	\$ 2,358,382	\$ 0	\$ 0	\$ 0	\$ 300,979	\$ 300,979	\$ 300,979	\$ 0	\$ 0	
Total Primary Government	\$ 9,872,273	\$ 4,159,582	\$ 1,765,230	\$ 565,512	\$ 0	\$ (3,682,928)	\$ 300,979	\$ (3,381,949)	\$ 0	\$ 0	
Component Unit:											
Hancock County School Department	\$ 10,494,301	\$ 107,755	\$ 2,211,812	\$ 8,119	\$ 0	\$ 0	\$ 0	\$ (8,166,615)	\$ (8,166,615)	\$ 0	
Total Component Unit	\$ 10,494,301	\$ 107,755	\$ 2,211,812	\$ 8,119	\$ 0	\$ 0	\$ 0	\$ (8,166,615)	\$ (8,166,615)	\$ 0	

(Continued)

Exhibit B

Hancock County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,427,514	\$ 1,427,514	\$ 597,889
Property Taxes Levied for Debt Service					46,946	46,946	0
Local Option Sales Taxes					58,366	58,366	214,270
Wheel Tax					56,634	56,634	61,166
Litigation Tax - General					11,809	11,809	0
Litigation Tax - Jail, Workhouse, or Courthouse					9,663	9,663	0
Business Tax					22,713	22,713	0
Gas Severance Tax					4,754	4,754	0
Wholesale Beer Tax					7,521	7,521	2,772
Interstate Telecommunications Tax					447	447	559
Grants and Contributions Not Restricted to Specific Programs					996,271	996,271	6,777,096
Unrestricted Investment Income					126,360	126,360	3,724
Miscellaneous					26,716	27,556	15,868
Gain on Disposal of Capital Assets					0	0	1,230
Total General Revenues					\$ 2,795,714	\$ 2,796,554	\$ 7,674,574
Transfers					\$ 400,000	\$ (400,000)	\$ 0
Change in Net Assets					\$ (487,214)	\$ (98,181)	\$ (492,041)
Net Assets, July 1, 2009					10,110,299	1,451,691	15,920,510
Net Assets, June 30, 2010					\$ 9,623,085	\$ 1,353,510	\$ 15,428,469

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

Exhibit C-1

Hancock County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway /	General	Other	
		Public Works	Debt Service	Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,397	\$ 1,397
Equity in Pooled Cash and Investments	339,120	545,628	1,595,230	958,380	3,438,358
Accounts Receivable	489,139	1,748	19	1,073	491,979
Allowance for Uncollectibles	(195,897)	0	0	0	(195,897)
Due from Other Governments	245,309	221,866	169	371	467,715
Due from Other Funds	1,397	0	0	0	1,397
Property Taxes Receivable	1,292,072	0	51,272	276,873	1,620,217
Allowance for Uncollectible Property Taxes	(71,432)	0	(2,835)	(15,307)	(89,574)
Capital Lease Receivable	0	0	5,257,550	0	5,257,550
Total Assets	\$ 2,099,708	\$ 769,242	\$ 6,901,405	\$ 1,222,787	\$ 10,993,142
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 171,128	\$ 0	\$ 24,128	\$ 10,840	\$ 206,096
Accrued Payroll	10,937	0	0	0	10,937
Payroll Deductions Payable	4,137	0	0	436	4,573
Due to Other Funds	0	0	0	1,397	1,397
Due to State of Tennessee	356	0	0	204	560
Other Current Liabilities	4,207	3,754	0	0	7,961
Deferred Revenue - Current Property Taxes	1,161,805	0	46,103	248,958	1,456,866
Deferred Revenue - Delinquent Property Taxes	57,416	0	2,278	12,304	71,998
Other Deferred Revenues	202,514	110,933	5,257,606	124	5,571,177
Total Liabilities	\$ 1,612,500	\$ 114,687	\$ 5,330,115	\$ 274,263	\$ 7,331,565
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 36,040	\$ 74,275	\$ 0	\$ 35	\$ 110,350
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	9,663	0	0	0	9,663
Reserved for Sexual Offender Registration	1,725	0	0	0	1,725
Reserved for Computer System - Register	9,790	0	0	0	9,790
Reserved for Automation Purposes - Circuit Court	1,376	0	0	0	1,376
Reserved for Automation Purposes - General Sessions Court	8,125	0	0	0	8,125
Reserved for Automation Purposes - Chancery Court	1,772	0	0	0	1,772
Other Federal Reserves	5,640	0	0	0	5,640
Unreserved, Reported In:					
General Fund	413,077	0	0	0	413,077
Special Revenue Funds	0	580,280	0	66,765	647,045
Debt Service Funds	0	0	1,571,290	0	1,571,290
Capital Projects Funds	0	0	0	881,724	881,724
Total Fund Balances	\$ 487,208	\$ 654,555	\$ 1,571,290	\$ 948,524	\$ 3,661,577
Total Liabilities and Fund Balances	\$ 2,099,708	\$ 769,242	\$ 6,901,405	\$ 1,222,787	\$ 10,993,142

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, 2010

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)		\$	3,661,577
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	370,174	
Add: construction in progress		99,457	
Add: buildings and improvements net of accumulated depreciation		1,870,112	
Add: machinery and equipment net of accumulated depreciation		429,562	
Add: infrastructure net of accumulated depreciation		<u>14,801,737</u>	17,571,042
(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	\$	(106,734)	
Less: other loans payable		(11,865,570)	
Less: capital leases payable		(67,737)	
Less: bonds payable		(4,969,481)	
Add: deferred charges - debt issuance costs		32,900	
Less: compensated absences payable		(60,768)	
Less: landfill closure/postclosure care costs		(71,590)	
Less: accrued interest on bonds, notes, and capital leases		<u>(143,729)</u>	(17,252,709)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>5,643,175</u>
Net assets of governmental activities (Exhibit A)		\$	<u>9,623,085</u>

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

Exhibit C-3

Hancock County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,337,924	\$ 0	\$ 48,736	\$ 247,958	\$ 1,634,618
Fines, Forfeitures, and Penalties	50,038	0	0	5,048	55,086
Charges for Current Services	584,634	0	0	4,986	589,620
Other Local Revenues	120,087	23,544	126,360	0	269,991
Fees Received from County Officials	226,349	0	0	0	226,349
State of Tennessee	1,231,053	1,721,083	225	190	2,952,551
Federal Government	222,606	0	0	0	222,606
Other Governments and Citizens Groups	281,815	0	1,006,727	0	1,288,542
Total Revenues	\$ 4,054,506	\$ 1,744,627	\$ 1,182,048	\$ 258,182	\$ 7,239,363
<u>Expenditures</u>					
Current:					
General Government	\$ 503,439	\$ 0	\$ 0	\$ 0	\$ 503,439
Finance	439,065	0	0	84	439,149
Administration of Justice	278,451	0	0	3,842	282,293
Public Safety	1,623,991	0	0	171	1,624,162
Public Health and Welfare	823,225	0	0	300,740	1,123,965
Social, Cultural, and Recreational Services	60,588	0	0	0	60,588
Agriculture and Natural Resources	57,544	0	0	0	57,544
Other Operations	769,388	0	0	0	769,388
Highways	0	1,981,719	0	0	1,981,719
Debt Service:					
Principal on Debt	83,138	0	742,704	0	825,842
Interest on Debt	10,144	0	343,742	0	353,886
Other Debt Service	0	0	68,962	0	68,962
Total Expenditures	\$ 4,648,973	\$ 1,981,719	\$ 1,155,408	\$ 304,837	\$ 8,090,937
Excess (Deficiency) of Revenues Over Expenditures	\$ (594,467)	\$ (237,092)	\$ 26,640	\$ (46,655)	\$ (851,574)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 406,411	\$ 0	\$ 0	\$ 53,000	\$ 459,411
Transfers Out	(53,000)	0	0	(6,411)	(59,411)
Total Other Financing Sources (Uses)	\$ 353,411	\$ 0	\$ 0	\$ 46,589	\$ 400,000
Net Change in Fund Balances	\$ (241,056)	\$ (237,092)	\$ 26,640	\$ (66)	\$ (451,574)
Fund Balance, July 1, 2009	728,264	891,647	1,544,650	948,590	4,113,151
Fund Balance, June 30, 2010	\$ 487,208	\$ 654,555	\$ 1,571,290	\$ 948,524	\$ 3,661,577

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, 2010

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)		\$ (451,574)
(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	\$ 193,138	
Less: current year depreciation expense	<u>(746,720)</u>	(553,582)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 5,643,175	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(5,954,882)</u>	(311,707)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, 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: change in deferred debt issuance costs	\$ (2,200)	
Add: principal payments on bonds	274,037	
Add: principal payments on notes	78,084	
Add: principal payments on other loans	442,000	
Add: principal payments on capital leases	<u>31,720</u>	823,641
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 10,773	
Change in compensated absences payable	(3,916)	
Change in landfill closure/postclosure care costs	<u>(849)</u>	<u>6,008</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (487,214)</u>

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

Exhibit D-1

Hancock County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2010

	Business-type Activities - Major Enterprise Fund
	<u>Home Health Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 752,209
Accounts Receivable	296,238
Allowance for Uncollectibles	(9,166)
Total Current Assets	<u>\$ 1,039,281</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,350
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	<u>336,920</u>
Total Noncurrent Assets	<u>\$ 363,270</u>
Total Assets	<u>\$ 1,402,551</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 36,238
Payroll Deductions Payable	1,941
Due to the State of Tennessee	559
Current Portion of Long-term Liabilities	2,061
Total Current Liabilities	<u>\$ 40,799</u>
Noncurrent Liabilities:	
Due in More Than One Year	<u>\$ 8,242</u>
Total Noncurrent Liabilities	<u>\$ 8,242</u>
Total Liabilities	<u>\$ 49,041</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 363,270
Unrestricted	<u>990,240</u>
Net Assets	<u>\$ 1,353,510</u>

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

Exhibit D-2

Hancock County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Fund
	Home Health Fund
	<hr/>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,358,382
Miscellaneous Refunds	840
Total Operating Revenues	<hr/> \$ 2,359,222 <hr/>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 151,969
Medical Personnel	819,746
Clerical Personnel	56,509
Other Salaries and Wages	580
Board and Committee Members Fees	3,000
In-service Training	1,665
Social Security	77,866
Employee and Dependent Insurance	40,868
Unemployment Compensation	3,870
Architects	3,678
Audit Services	2,600
Communication	21,678
Dues and Memberships	4,784
Operating Lease Payments	2,663
Legal Services	106,002
Legal Notices, Recording, and Court Costs	1,814
Licenses	4,368
Maintenance and Repair Services - Buildings	11,135
Medical and Dental Services	4,049
Postal Charges	3,794
Rentals	4,920
Travel	109,717
Other Contracted Services	489,230
Custodial Supplies	1,822
Drugs and Medical Supplies	44,235
Electricity	3,273
General Construction Materials	575
Office Supplies	40,094
Propane Gas	4,745

(Continued)

Exhibit D-2

Hancock County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund (Cont.)

	Business-type Activities - Enterprise Fund
	<u>Home Health Fund</u>
<u>Operating Expenses (Cont.)</u>	
<u>Cost of Sales and Services (Cont.)</u>	
Water and Sewer	\$ 826
Other Supplies and Materials	5,245
Liability Insurance	3,208
Refunds	679
Depreciation	4,924
Other Charges	7,122
Office Equipment	14,150
Total Operating Expenses	<u>\$ 2,057,403</u>
Operating Income (Loss)	<u>\$ 301,819</u>
Income (Loss) Before Contributions and Transfers	\$ 301,819
Transfers Out	<u>(400,000)</u>
Change in Net Assets	\$ (98,181)
Net Assets, July 1, 2009	<u>1,451,691</u>
Net Assets, June 30, 2010	<u><u>\$ 1,353,510</u></u>

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

Exhibit D-3

Hancock County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Fund
	<u>Home Health Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,105,375
Payments to Employees and Board Members	(1,021,501)
Payments for Fringe Benefits	(118,458)
Payments to Suppliers	<u>(863,559)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 101,857</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and Construction of Capital Assets	<u>\$ (193,150)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (193,150)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to Other Funds	<u>\$ (400,000)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (400,000)</u>
Increase (Decrease) in Cash	\$ (491,293)
Cash, July 1, 2009	<u>1,243,502</u>
Cash, June 30, 2010	<u><u>\$ 752,209</u></u>

(Continued)

Exhibit D-3

Hancock County, Tennessee
Statement of Cash Flows
Proprietary Funds (Cont.)

	Business-type Activities - Enterprise Fund
	<u>Home Health Fund</u>
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 301,819
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	4,924
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(132,544)
Increase (Decrease) in Allowance for Uncollectibles	4,108
Increase (Decrease) in Accounts Payable and Other Current Liabilities	(86,753)
Increase (Decrease) in Compensated Absences	<u>10,303</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 101,857</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Equity in Pooled Cash and Investments per Net Assets	<u>\$ 752,209</u>
Cash, June 30, 2010	<u>\$ 752,209</u>

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

Exhibit E

Hancock County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 405,576
Equity in Pooled Cash and Investments	198,702
Accounts Receivable	4,723
Due from Other Governments	27,041
Prepaid Items	<u>2,499</u>
Total Assets	<u>\$ 638,541</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,149
Due to Other Taxing Units	228,816
Due to Litigants, Heirs, and Others	<u>405,576</u>
Total Liabilities	<u>\$ 638,541</u>

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

HANCOCK COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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. 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, proprietary funds (enterprise), and fiduciary funds. The enterprise fund is reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide

financial statements. Major individual governmental funds and the major enterprise fund 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 proprietary fund and 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/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Hancock County only reports one proprietary fund, an enterprise fund. It has no internal service funds to report.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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

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.

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.

Hancock County reports the following major proprietary fund:

Home Health Fund – This fund accounts for the transactions related to the Hancock County Home Health Care Program.

Additionally, Hancock County reports the following fund types:

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

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 and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to the same limitations. Hancock County has elected not to follow subsequent private-sector guidance.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund, which is used to account for the county's home health operations. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the enterprise fund are patient charges. Operating expenses of the enterprise fund include various expenses associated with the operation of the county's home health services.

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

For purposes of the Statement of Cash Flows, cash includes cash on deposit with the county trustee.

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 \$22,500 are discussed in Note IV.G. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teacher's insurance clearing account at June 30, 2010.

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 and the business-type 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 and the proprietary fund in the fund 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 \$44,396, with the primary restrictions being for computer systems for various offices (\$21,063),

courthouse and jail maintenance (\$9,663), and drug control (\$6,305). For the discretely presented School Department, the account balance in Restricted for State and Federal Assistance Programs consists of various restrictions totaling \$892,344, with the primary restrictions being for: State BEP nonclassroom funds (\$566,824) and the school lunch and breakfast programs (\$292,634).

As of June 30, 2010, Hancock County had \$10,775,020 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.

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 J-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 J-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

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

The 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.

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 Comptroller's Office 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, 2010.

B. Lease Receivable/Long-term Note Receivable

Primary Government

The General Debt Service Fund has a lease receivable totaling \$5,257,550 at June 30, 2010. 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 7-1-09	Retired	Balance 6-30-10
Hospital Bond (A)	\$ 4,800,000	\$ 240,000	\$ 4,560,000
Hospital Bond (B)	150,000	30,000	120,000
Other Loans	603,900	26,350	577,550
Total	<u>\$ 5,553,900</u>	<u>\$ 296,350</u>	<u>\$ 5,257,550</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. Wellmont remitted the final installment of this subsidy during the year.

In the financial statements of the General Debt Service Fund, revenues of \$577,293 have been recognized from Wellmont during the year. This amount includes \$509,323 in current payments under the agreement and \$67,970 as reimbursement of other debt associated with the acquisition, construction, and equipping of the hospital facility including interest.

Discretely Presented Hancock County School Department

In the 2005-06 fiscal year, the Hancock County Board of Education approved providing 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 two promissory notes 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 \$11,185 on June 30, 2010.

C. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09*	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 370,174	\$ 0	\$ 370,174
Construction in Progress	0	99,457	99,457
Total Capital Assets Not Depreciated	\$ 370,174	\$ 99,457	\$ 469,631
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,432,120	\$ 0	\$ 3,432,120
Machinery and Equipment	2,284,954	93,681	2,378,635
Infrastructure	21,242,160	0	21,242,160
Total Capital Assets Depreciated	\$ 26,959,234	\$ 93,681	\$ 27,052,915

Governmental Activities: (Cont.)

	Balance 7-1-09*	Increases	Balance 6-30-10
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,476,206	\$ 85,802	\$ 1,562,008
Machinery and Equipment	1,819,210	129,863	1,949,073
Infrastructure	5,909,368	531,055	6,440,423
Total Accumulated Depreciation	<u>\$ 9,204,784</u>	<u>\$ 746,720</u>	<u>\$ 9,951,504</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,754,450</u>	<u>\$ (653,039)</u>	<u>\$ 17,101,411</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,124,624</u>	<u>\$ (553,582)</u>	<u>\$ 17,571,042</u>

*The beginning net capital assets balance is less than the prior-year ending balance by \$175,044 due to certain assets being accounted for in the Home Health Fund (enterprise fund) in the current year.

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

Governmental Activities:

General Government	\$ 8,575
Finance	1,664
Public Safety	94,326
Public Health and Welfare	71,635
Social, Cultural, and Recreational Services	6,500
Agriculture and Natural Resources	482
Other Operations	7,657
Highway/Public Works	<u>555,881</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 746,720</u>

Business-type Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 26,350	\$ 0	\$ 26,350
Total Capital Assets Not Depreciated	\$ 26,350	\$ 0	\$ 26,350
Capital Assets Depreciated:			
Buildings and Improvements	\$ 149,316	\$ 193,150	\$ 342,466
Total Capital Assets Depreciated	\$ 149,316	\$ 193,150	\$ 342,466
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 622	\$ 4,924	\$ 5,546
Total Accumulated Depreciation	\$ 622	\$ 4,924	\$ 5,546
Total Capital Assets Depreciated, Net	\$ 148,694	\$ 188,226	\$ 336,920
Business-type Activities Capital Assets, Net	\$ 175,044	\$ 188,226	\$ 363,270

Depreciation expense totaling \$4,924 was charged to the Other Enterprise Fund.

Discretely Presented Hancock County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Construction in Progress	96,642	81,449	178,091	0
Total Capital Assets Not Depreciated	\$ 549,792	\$ 81,449	\$ 178,091	\$ 453,150

Governmental Activities: (Cont.)

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets				
Depreciated:				
Buildings and Improvements	\$ 15,395,342	\$ 178,091	\$ 0	\$ 15,573,433
Machinery and Equipment	1,429,695	141,445	9,000	1,562,140
Total Capital Assets Depreciated	<u>\$ 16,825,037</u>	<u>\$ 319,536</u>	<u>\$ 9,000</u>	<u>\$ 17,135,573</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,456,042	\$ 409,000	\$ 0	\$ 3,865,042
Machinery and Equipment	799,184	97,171	8,730	887,625
Total Accumulated Depreciation	<u>\$ 4,255,226</u>	<u>\$ 506,171</u>	<u>\$ 8,730</u>	<u>\$ 4,752,667</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,569,811</u>	<u>\$ (186,635)</u>	<u>\$ 270</u>	<u>\$ 12,382,906</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,119,603</u>	<u>\$ (105,186)</u>	<u>\$ 178,361</u>	<u>\$ 12,836,056</u>

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

Governmental Activities:

Instruction	\$ 409,000
Support Services	91,027
Operation of Non-Instructional Services	<u>6,144</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 506,171</u>

D. Construction Commitments

At June 30, 2010, the Highway Department had uncompleted construction contracts of approximately \$74,275 for the construction of a bridge. Funding for these future expenditures is expected to be received from state grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,397

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, 2010, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 53,000
Nonmajor governmental funds	6,411	0
Enterprise Fund	400,000	0
Total	<u>\$ 406,411</u>	<u>\$ 53,000</u>

Discretely Presented Hancock County School Department

<u>Transfer Out</u>	<u>Transfer In</u>
	<u>School Federal Projects</u>
General Purpose School Fund	\$ 80,000

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

F. Capital Lease

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, 2010, were as follows:

Year Ending June 30	Governmental Funds
2011	\$ 36,145
2012	36,146
Total Minimum Lease Payments	\$ 72,291
Less: Amount Representing Interest	<u>(4,554)</u>
Present Value of Minimum Lease Payments	<u>\$ 67,737</u>

G. 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, 2010, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2010, will be retired from the General and General Debt Service funds.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	4.25 to 5.6%	\$ 6,610,000	\$ 4,969,481
Capital Outlay Notes	3.75 to 5.52	237,227	106,734
Other Loans	Variable	14,595,000	11,865,570
Capital Leases	4.45	135,602	67,737

In prior years, Hancock County entered into three loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority 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, 2010, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-10	Interest Type	Interest Rates as of 6-30-10	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan Program	\$12,000,000	\$ 10,250,000	Variable	0.52%	0.44%
Refunding Issue Loan Program	945,000	513,000	Variable	0.44	0.78
School Construction and Hospital Equipment Loan Program	1,650,000	<u>1,102,570</u>	Variable	0.44	0.62
Total		<u>\$11,865,570</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2016-2020	1,228,761	874,712	2,103,473
2021-2025	1,235,845	526,812	1,762,657
2026-2030	1,004,686	177,155	1,181,841
2031-2035	55,717	29,708	85,425
2036-2040	48,004	17,593	65,597
2041-2045	53,388	7,070	60,458
Total	\$ 4,969,481	\$ 2,868,254	\$ 7,837,735

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 79,076	\$ 4,344	\$ 83,420
2012	27,658	1,003	28,661
Total	\$ 106,734	\$ 5,347	\$ 112,081

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 477,000	\$ 60,409	\$ 55,954	\$ 593,363
2012	501,000	58,022	53,540	612,562
2013	524,000	55,513	51,009	630,522
2014	559,000	52,888	48,368	660,256
2015	613,000	50,084	45,559	708,643
2016-2020	3,295,000	202,199	180,943	3,678,142
2021-2025	4,024,000	111,780	99,397	4,235,177
2026-2028	1,872,570	14,643	13,115	1,900,328
Total	\$ 11,865,570	\$ 605,538	\$ 547,885	\$ 13,018,993

There is \$1,571,290 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$737, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$2,524, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2009	\$ 5,243,518	\$ 184,818	\$ 99,457
Additions	0	0	0
Deductions	(274,037)	(78,084)	(31,720)
Balance, June 30, 2010	<u>\$ 4,969,481</u>	<u>\$ 106,734</u>	<u>\$ 67,737</u>
Balance Due Within One Year	<u>\$ 274,219</u>	<u>\$ 79,076</u>	<u>\$ 33,131</u>

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2009	\$ 70,741	\$ 12,307,570	\$ 56,852
Additions	849	0	23,340
Deductions	0	(442,000)	(19,424)
Balance, June 30, 2010	<u>\$ 71,590</u>	<u>\$ 11,865,570</u>	<u>\$ 60,768</u>
Balance Due Within One Year	<u>\$ 3,723</u>	<u>\$ 477,000</u>	<u>\$ 12,154</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 17,141,880
Less: Balance Due Within One Year	<u>(879,303)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,262,577</u>

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

Hancock County Home Health (enterprise fund)

Long-term liability activity for the Home Health Fund (enterprise fund) for the year ended June 30, 2010, was as follows:

Business-type Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2009	\$ 0
Additions	10,303
Deductions	<u>0</u>
Balance, June 30, 2010	<u>\$ 10,303</u>
Balance Due Within One Year	<u>\$ 2,061</u>

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, 2010, was as follows:

	<u>Other Postemployment Benefits</u>	<u>Claims and Judgments Payable</u>
Balance, July 1, 2009	\$ 75,254	\$ 30,000
Additions	73,178	0
Deductions	<u>(30,927)</u>	<u>(7,500)</u>
Balance, June 30, 2010	<u>\$ 117,505</u>	<u>\$ 22,500</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 7,500</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 140,005
Less: Balance Due Within One Year	<u>(7,500)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 132,505</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, 2010, will be retired from the General Purpose School Fund.

H. Pledges of Future Revenues

The Board of Education pledged, by resolution, a minimum of \$541,000 per year for the next 17 years to the General Debt Service Fund from the Basic Education Program to provide funds for the retirement of debt issued for school purposes. However, because of decreased interest requirements on the debt for the current year, the School Department contributed only \$424,477 to the General Debt Service Fund.

I. 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, 2010, 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.

J. 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, 2010, was as follows:

	<u>7-1-09</u>	<u>Issued</u>	<u>Paid</u>	<u>6-30-10</u>
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. Hancock County began providing health insurance for its employees during the fiscal year. The current insurance plan does not allow retirees to participate.

The Hancock County EMS has purchased separate coverage for its building and 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.

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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Hancock County had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Hancock County may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial

risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Hancock County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Hancock County had not participated in any derivative transactions as of June 30, 2010. However, it is reasonably expected that Hancock County may enter into derivative transactions in subsequent years.

Operations of the Home Health Care program were previously reported in the governmental funds (Other Special Revenue Fund) in the fund financial statements and were reported under governmental operations in the government-wide financial statements. During the year, Hancock County determined that the Home Health Care program had evolved into self-sustaining operations, which should be accounted for as an enterprise fund pursuant to accounting principles generally accepted in the United States of America. Accordingly, previously reported fund balances of the governmental fund types have been reduced by \$1,276,647 and previously reported net capital assets of the governmental operations have been reduced by \$175,044. These amounts, totaling \$1,451,691, are now recognized as beginning net assets of the Home Health Fund at July 1, 2009. On the government-wide financial statements, previously reported net assets of the governmental activities have been reduced by \$1,451,691, and that amount is recognized as beginning net assets of business-type activities as of July 1, 2009.

C. Subsequent Events

The following table lists officials who left office on August 31, 2010, and their successors:

Official	Office	Successor
Greg Marion	County Mayor	Thomas Harrison
Kenneth Mayes	Trustee	Chuck Johnson
Wayne Dean	County Clerk	Jessie Royston
Ralph Seal	Sheriff	Leamon Maxey

Subsequent to June 30, 2010, Hancock County issued a three-year capital outlay note totaling \$87,500 to purchase a new ambulance.

On September 13, 2010, Hancock County approved a tax anticipation note totaling \$250,000 for the General Fund.

D. Landfill 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 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 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 \$71,590 reported as postclosure liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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, 2010, 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

F. Jointly Governed Organizations

Primary Government

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

G. Retirement Commitments

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 the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hancock County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hancock County requires employees to contribute five percent of earnable compensation. Hancock County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, 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, 2010, Hancock County's annual pension cost of \$40,042 to TCRS was equal to Hancock 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$40,042	100%	\$0
6-30-09	39,880	100	0
6-30-08	32,324	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 82.42 percent funded. The actuarial accrued liability for benefits was \$1.81 million, and the actuarial value of assets was \$1.49 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.32 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.56 million, and the ratio of the UAAL to the covered payroll was 56.72 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 UAALs 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. Cost of living adjustments (COLA) are 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/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$302,789, \$292,149, and \$288,984, respectively, equal to the required contributions for each year.

H. 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 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	\$ 73,000
Interest on the NPO	3,386
Adjustment to the ARC	(3,208)
Annual OPEB cost	<hr/> \$ 73,178
Amount of contribution	(30,927)
Increase/decrease in NPO	\$ 42,251
Net OPEB obligation, 7-1-09	<hr/> 75,254
Net OPEB obligation, 6-30-10	<hr/> <hr/> \$ 117,505

Fiscal 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
6-30-10	"	73,178	42	117,505

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 667,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 667,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,639,581
UAAL as a % of covered payroll	14.38%

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, 2009, actuarial valuation for the Local Education plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

I. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,337,924	\$ 0	\$ 0	\$ 1,337,924	\$ 1,301,700	\$ 1,301,700	\$ 36,224
Fines, Forfeitures, and Penalties	50,038	0	0	50,038	33,150	33,150	16,888
Charges for Current Services	584,634	0	0	584,634	627,199	699,799	(115,165)
Other Local Revenues	120,087	0	0	120,087	95,000	98,000	22,087
Fees Received from County Officials	226,349	0	0	226,349	226,500	226,500	(151)
State of Tennessee	1,231,053	0	0	1,231,053	1,306,167	1,408,467	(177,414)
Federal Government	222,606	0	0	222,606	217,307	262,719	(40,113)
Other Governments and Citizens Groups	281,815	0	0	281,815	72,000	285,924	(4,109)
Total Revenues	\$ 4,054,506	\$ 0	\$ 0	\$ 4,054,506	\$ 3,879,023	\$ 4,316,259	\$ (261,753)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 69,910	\$ 0	\$ 0	\$ 69,910	\$ 89,600	\$ 87,100	\$ 17,190
Board of Equalization	1,221	0	0	1,221	1,000	1,400	179
County Mayor/Executive	141,365	0	0	141,365	144,960	148,710	7,345
County Attorney	15,000	0	0	15,000	15,000	15,000	0
Election Commission	82,929	(910)	100	82,119	92,646	92,646	10,527
Register of Deeds	85,719	(303)	0	85,416	97,854	98,154	12,738
County Buildings	107,295	(700)	250	106,845	152,000	171,400	64,555
<u>Finance</u>							
Purchasing	68,400	(200)	0	68,200	69,900	73,600	5,400
Property Assessor's Office	87,341	(100)	0	87,241	97,151	99,551	12,310
Reappraisal Program	26,260	0	0	26,260	30,760	35,160	8,900
County Trustee's Office	93,737	0	0	93,737	105,779	105,779	12,042
County Clerk's Office	116,818	(800)	0	116,018	119,726	119,726	3,708

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Other Finance	\$ 46,509	\$ 0	\$ 0	\$ 46,509	\$ 52,000	\$ 52,000	\$ 5,491
<u>Administration of Justice</u>							
Circuit Court	109,386	(225)	0	109,161	153,451	153,501	44,340
General Sessions Court	68,220	0	0	68,220	70,685	70,685	2,465
Chancery Court	90,385	0	0	90,385	95,243	98,353	7,968
District Attorney General	10,460	0	0	10,460	16,000	16,000	5,540
<u>Public Safety</u>							
Sheriff's Department	417,394	0	1,000	418,394	489,684	466,784	48,390
Jail	1,016,587	(6,000)	660	1,011,247	836,191	1,090,881	79,634
Juvenile Services	63,983	0	0	63,983	15,430	66,690	2,707
Commissary	46,695	(600)	2,000	48,095	51,774	61,774	13,679
Civil Defense	58,464	0	0	58,464	40,700	64,500	6,036
Rescue Squad	1,400	0	0	1,400	1,400	1,400	0
County Coroner/Medical Examiner	15,000	0	0	15,000	15,000	15,000	0
Other Public Safety	4,468	0	0	4,468	6,700	6,700	2,232
<u>Public Health and Welfare</u>							
Ambulance/Emergency Medical Services	719,544	(500)	0	719,044	602,834	751,634	32,590
Alcohol and Drug Programs	5,233	0	0	5,233	1,027	4,337	(896)
Crippled Children Services	415	0	0	415	415	415	0
Other Local Health Services	68,113	0	0	68,113	19,800	128,100	59,987
Sanitation Management	29,130	0	0	29,130	29,237	29,937	807
Other Public Health and Welfare	790	0	0	790	9,494	9,494	8,704
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	7,796	0	0	7,796	7,800	7,800	4

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Libraries	\$ 52,792	\$ 0	\$ 0	\$ 52,792	\$ 55,020	\$ 55,270	\$ 2,478
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	39,252	0	0	39,252	49,930	49,930	10,678
Soil Conservation	18,292	0	0	18,292	19,440	19,440	1,148
<u>Other Operations</u>							
Public Transportation	265,864	(300)	32,030	297,594	286,346	333,956	36,362
Veterans' Services	5,560	0	0	5,560	7,480	7,780	2,220
Other Charges	210,672	0	0	210,672	0	214,800	4,128
Employee Benefits	189,238	0	0	189,238	389,200	389,200	199,962
ARRA Grant # 2	93,681	0	0	93,681	0	96,681	3,000
ARRA Grant # 3	4,373	0	0	4,373	0	5,412	1,039
<u>Principal on Debt</u>							
General Government	83,138	0	0	83,138	84,140	84,140	1,002
<u>Interest on Debt</u>							
General Government	10,144	0	0	10,144	10,226	10,226	82
Total Expenditures	\$ 4,648,973	\$ (10,638)	\$ 36,040	\$ 4,674,375	\$ 4,433,023	\$ 5,411,046	\$ 736,671
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (594,467)	\$ 10,638	\$ (36,040)	\$ (619,869)	\$ (554,000)	\$ (1,094,787)	\$ 474,918
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 406,411	\$ 0	\$ 0	\$ 406,411	\$ 607,000	\$ 607,000	\$ (200,589)
Transfers Out	(53,000)	0	0	(53,000)	(53,000)	(53,000)	0
Total Other Financing Sources (Uses)	\$ 353,411	\$ 0	\$ 0	\$ 353,411	\$ 554,000	\$ 554,000	\$ (200,589)
Net Change in Fund Balance	\$ (241,056)	\$ 10,638	\$ (36,040)	\$ (266,458)	\$ 0	\$ (540,787)	\$ 274,329
Fund Balance, July 1, 2009	728,264	(10,638)	0	717,626	728,264	728,264	(10,638)
Fund Balance, June 30, 2010	\$ 487,208	\$ 0	\$ (36,040)	\$ 451,168	\$ 728,264	\$ 187,477	\$ 263,691

Exhibit F-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 23,544	\$ 0	\$ 23,544	\$ 0	\$ 0	\$ 23,544
State of Tennessee	1,721,083	0	1,721,083	1,527,118	1,760,322	(39,239)
Total Revenues	\$ 1,744,627	\$ 0	\$ 1,744,627	\$ 1,527,118	\$ 1,760,322	\$ (15,695)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 434,148	\$ 0	\$ 434,148	\$ 486,477	\$ 486,477	\$ 52,329
Highway and Bridge Maintenance	753,988	0	753,988	1,155,977	1,123,477	369,489
Operation and Maintenance of Equipment	125,358	0	125,358	147,240	147,240	21,882
Other Charges	60,377	0	60,377	65,500	65,500	5,123
Employee Benefits	109,699	0	109,699	94,639	127,139	17,440
Capital Outlay	498,149	74,275	572,424	352,950	586,154	13,730
Total Expenditures	\$ 1,981,719	\$ 74,275	\$ 2,055,994	\$ 2,302,783	\$ 2,535,987	\$ 479,993
Excess (Deficiency) of Revenues Over Expenditures	\$ (237,092)	\$ (74,275)	\$ (311,367)	\$ (775,665)	\$ (775,665)	\$ 464,298
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (237,092)	\$ (74,275)	\$ (311,367)	\$ (775,665)	\$ (775,665)	\$ 464,298
	891,647	0	891,647	775,665	775,665	115,982
Fund Balance, June 30, 2010	\$ 654,555	\$ (74,275)	\$ 580,280	\$ 0	\$ 0	\$ 580,280

Exhibit F-3

Hancock County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hancock County School Department
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-07	\$ 1,401	\$ 1,559	\$ 158	89.87 %	\$ 545	28.99 %
7-1-09	1,488	1,805	317	82.42	560	56.72

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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit F-4

Hancock County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Hancock County School Department
June 30, 2010

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-07	\$ 0	\$ 559	\$ 559	0	% \$ 4,733	12 %
7-1-09	0	667	667	0	4,640	14

* An additional actuarial valuation will be reported as the data becomes available.

HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, 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.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Health Department Fund – The Health Department Fund was used to account for transactions related to the county health department. This fund was closed as of June 30, 2010, and future transactions related to the county health department will be reflected in the General Fund.

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 Fund

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

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

Exhibit G-1

Hancock County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Other Capital Projects	Fund	
\$	0	0	1,397	1,397	0	0	1,397
Equity in Pooled Cash and Investments	71,321	6,305	0	77,626	880,754		958,380
Accounts Receivable	103	0	0	103	970		1,073
Due from Other Governments	371	0	0	371	0		371
Property Taxes Receivable	276,873	0	0	276,873	0		276,873
Allowance for Uncollectible Property Taxes	(15,307)	0	0	(15,307)	0		(15,307)
Total Assets	\$ 333,361	\$ 6,305	\$ 1,397	\$ 341,063	\$ 881,724	\$	1,222,787

ASSETS

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

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
 Payroll Deductions Payable
 Due to Other Funds
 Due to State of Tennessee
 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

\$	10,840	0	0	10,840	0	0	10,840
	436	0	0	436	0	0	436
	0	0	1,397	1,397	0	0	1,397
	204	0	0	204	0	0	204
	248,958	0	0	248,958	0	0	248,958
	12,304	0	0	12,304	0	0	12,304
	124	0	0	124	0	0	124
\$	272,866	0	1,397	274,263	0	0	274,263
\$	35	0	0	35	0	0	35
	60,460	6,305	0	66,765	881,724		948,489
\$	60,495	6,305	0	66,800	881,724	\$	948,524
\$	333,361	6,305	1,397	341,063	881,724	\$	1,222,787

Exhibit G-2

Hancock County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds						Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Health Department	Drug Control	Constitutional Officers - Fees	Total	Other Capital Projects	Fund		
<u>Revenues</u>									
Local Taxes	\$ 247,958	\$ 0	\$ 0	\$ 0	\$ 247,958	\$ 0	\$ 0	\$ 247,958	
Fines, Forfeitures, and Penalties	0	0	5,048	0	5,048	0	0	5,048	
Charges for Current Services	1,060	0	0	3,926	4,986	0	0	4,986	
State of Tennessee	190	0	0	0	190	0	0	190	
Total Revenues	\$ 249,208	\$ 0	\$ 5,048	\$ 3,926	\$ 258,182	\$ 0	\$ 0	\$ 258,182	
<u>Expenditures</u>									
Current:									
Finance	\$ 0	\$ 0	\$ 0	\$ 84	\$ 84	\$ 0	\$ 0	\$ 84	
Administration of Justice	0	0	0	3,842	3,842	0	0	3,842	
Public Safety	0	0	171	0	171	0	0	171	
Public Health and Welfare	248,582	52,158	0	0	300,740	0	0	300,740	
Total Expenditures	\$ 248,582	\$ 52,158	\$ 171	\$ 3,926	\$ 304,837	\$ 0	\$ 0	\$ 304,837	
Excess (Deficiency) of Revenues Over Expenditures	\$ 626	\$ (52,158)	\$ 4,877	\$ 0	\$ (46,655)	\$ 0	\$ 0	\$ (46,655)	
<u>Other Financing Sources (Uses)</u>									
Transfers In	\$ 0	\$ 53,000	\$ 0	\$ 0	\$ 53,000	\$ 0	\$ 0	\$ 53,000	
Transfers Out	0	(6,411)	0	0	(6,411)	0	0	(6,411)	
Total Other Financing Sources (Uses)	\$ 0	\$ 46,589	\$ 0	\$ 0	\$ 46,589	\$ 0	\$ 0	\$ 46,589	
Net Change in Fund Balances	\$ 626	\$ (5,569)	\$ 4,877	\$ 0	\$ (66)	\$ 0	\$ 0	\$ (66)	
Fund Balance, July 1, 2009	59,869	5,569	1,428	0	66,866	881,724		948,590	
Fund Balance, June 30, 2010	\$ 60,495	\$ 0	\$ 6,305	\$ 0	\$ 66,800	\$ 881,724	\$	\$ 948,524	

Exhibit G-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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 247,958	\$ 0	\$ 0	\$ 247,958	\$ 246,400	\$ 246,400	\$ 1,558
Charges for Current Services	1,060	0	0	1,060	1,000	1,000	60
State of Tennessee	190	0	0	190	0	0	190
Total Revenues	\$ 249,208	\$ 0	\$ 0	\$ 249,208	\$ 247,400	\$ 247,400	\$ 1,808
<u>Expenditures</u>							
Public Health and Welfare							
Sanitation Management	\$ 248,582	(204)	\$ 35	\$ 248,413	\$ 303,200	\$ 303,200	\$ 54,787
Total Expenditures	\$ 248,582	(204)	\$ 35	\$ 248,413	\$ 303,200	\$ 303,200	\$ 54,787
Excess (Deficiency) of Revenues Over Expenditures	\$ 626	\$ 204	(35)	\$ 795	\$ (55,800)	\$ (55,800)	\$ 56,595
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ (20,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ (20,000)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 626	\$ 204	(35)	\$ 795	\$ (35,800)	\$ (35,800)	\$ 36,595
	59,869	(204)	0	59,665	59,665	59,665	0
Fund Balance, June 30, 2010	\$ 60,495	\$ 0	(35)	\$ 60,460	\$ 23,865	\$ 23,865	\$ 36,595

Exhibit G-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, 2010

	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	\$ 52,158	\$ 58,569	\$ 52,158	\$ 0
Total Expenditures	\$ 52,158	\$ 58,569	\$ 52,158	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (52,158)	\$ (58,569)	\$ (52,158)	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 53,000	\$ 53,000	\$ 53,000	\$ 0
Transfers Out	(6,411)	0	(6,411)	0
Total Other Financing Sources (Uses)	\$ 46,589	\$ 53,000	\$ 46,589	\$ 0
Net Change in Fund Balance	\$ (5,569)	\$ (5,569)	\$ (5,569)	\$ 0
Fund Balance, July 1, 2009	5,569	5,569	5,569	0
Fund Balance, June 30, 2010	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit G-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 5,048	\$ 0	\$ 0	\$ 5,048
Total Revenues	\$ 5,048	\$ 0	\$ 0	\$ 5,048
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 171	\$ 1,428	\$ 1,428	\$ 1,257
Total Expenditures	\$ 171	\$ 1,428	\$ 1,428	\$ 1,257
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,877	\$ (1,428)	\$ (1,428)	\$ 6,305
Net Change in Fund Balance	\$ 4,877	\$ (1,428)	\$ (1,428)	\$ 6,305
Fund Balance, July 1, 2009	1,428	1,428	1,428	0
Fund Balance, June 30, 2010	\$ 6,305	\$ 0	\$ 0	\$ 6,305

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.

Exhibit H

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 48,736	\$ 49,000	\$ 49,000	\$ (264)
Other Local Revenues	126,360	160,000	160,000	(33,640)
State of Tennessee	225	400	400	(175)
Other Governments and Citizens Groups	1,006,727	1,019,256	1,019,256	(12,529)
Total Revenues	<u>\$ 1,182,048</u>	<u>\$ 1,228,656</u>	<u>\$ 1,228,656</u>	<u>\$ (46,608)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 389,054	\$ 389,056	\$ 389,056	\$ 2
Education	353,650	353,650	353,650	0
<u>Interest on Debt</u>				
General Government	295,785	299,955	299,955	4,170
Education	47,957	178,000	178,000	130,043
<u>Other Debt Service</u>				
General Government	17,039	25,200	25,200	8,161
Education	51,923	60,000	60,000	8,077
Total Expenditures	<u>\$ 1,155,408</u>	<u>\$ 1,305,861</u>	<u>\$ 1,305,861</u>	<u>\$ 150,453</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,640</u>	<u>\$ (77,205)</u>	<u>\$ (77,205)</u>	<u>\$ 103,845</u>
Net Change in Fund Balance	\$ 26,640	\$ (77,205)	\$ (77,205)	\$ 103,845
Fund Balance, July 1, 2009	1,544,650	1,544,650	1,544,650	0
Fund Balance, June 30, 2010	<u>\$ 1,571,290</u>	<u>\$ 1,467,445</u>	<u>\$ 1,467,445</u>	<u>\$ 103,845</u>

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.

Exhibit I-1

Hancock County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>			
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 405,576	\$ 0	\$ 405,576
Equity in Pooled Cash and Investments	0	0	198,702	198,702
Accounts Receivable	0	0	4,723	4,723
Due from Other Governments	27,041	0	0	27,041
Prepaid Items	0	0	2,499	2,499
Total Assets	<u>\$ 27,041</u>	<u>\$ 405,576</u>	<u>\$ 205,924</u>	<u>\$ 638,541</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 4,149	\$ 4,149
Due to Other Taxing Units	27,041	0	201,775	228,816
Due to Litigants, Heirs, and Others	0	405,576	0	405,576
Total Liabilities	<u>\$ 27,041</u>	<u>\$ 405,576</u>	<u>\$ 205,924</u>	<u>\$ 638,541</u>

Exhibit I-2

Hancock County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 154,418	\$ 154,418	\$ 0
Due from Other Governments	24,871	27,041	24,871	27,041
Total Assets	\$ 24,871	\$ 181,459	\$ 179,289	\$ 27,041
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 24,871	\$ 181,459	\$ 179,289	\$ 27,041
Total Liabilities	\$ 24,871	\$ 181,459	\$ 179,289	\$ 27,041
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 354,356	\$ 956,439	\$ 905,219	\$ 405,576
Total Assets	\$ 354,356	\$ 956,439	\$ 905,219	\$ 405,576
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 354,356	\$ 956,439	\$ 905,219	\$ 405,576
Total Liabilities	\$ 354,356	\$ 956,439	\$ 905,219	\$ 405,576
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 122,079	\$ 203,937	\$ 127,314	\$ 198,702
Accounts Receivable	4,826	4,723	4,826	4,723
Prepaid Items	2,441	2,499	2,441	2,499
Total Assets	\$ 129,346	\$ 211,159	\$ 134,581	\$ 205,924
<u>Liabilities</u>				
Accounts Payable	\$ 1,064	\$ 4,149	\$ 1,064	\$ 4,149
Due to Other Taxing Units	128,282	207,010	133,517	201,775
Total Liabilities	\$ 129,346	\$ 211,159	\$ 134,581	\$ 205,924

(Continued)

Exhibit I-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	\$ 354,356	\$ 956,439	\$ 905,219	\$ 405,576
Equity in Pooled Cash and Investments	122,079	358,355	281,732	198,702
Accounts Receivable	4,826	4,723	4,826	4,723
Due from Other Governments	24,871	27,041	24,871	27,041
Prepaid Items	2,441	2,499	2,441	2,499
Total Assets	<u>\$ 508,573</u>	<u>\$ 1,349,057</u>	<u>\$ 1,219,089</u>	<u>\$ 638,541</u>
<u>Liabilities</u>				
Accounts Payable	\$ 1,064	\$ 4,149	\$ 1,064	\$ 4,149
Due to Other Taxing Units	153,153	388,469	312,806	228,816
Due to Litigants, Heirs, and Others	354,356	956,439	905,219	405,576
Total Liabilities	<u>\$ 508,573</u>	<u>\$ 1,349,057</u>	<u>\$ 1,219,089</u>	<u>\$ 638,541</u>

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.

Exhibit J-1

Hancock County, Tennessee
Statement of Activities
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Charges for Services		Expenses		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants and Contributions	Capital Grants and Contributions					Total Governmental Activities		
Governmental Activities:									
Instruction	\$ 5,670,866	\$ 815	\$ 846,423	\$ 0	\$ 0	\$ (4,823,628)			
Support Services	2,962,521	0	137,230	0	0	(2,825,291)			
Operation of Non-Instructional Services	1,436,437	106,940	1,228,159	8,119	0	(93,219)			
Other Debt Service	424,477	0	0	0	0	(424,477)			
Total Governmental Activities	\$ 10,494,301	\$ 107,755	\$ 2,211,812	\$ 8,119	\$ 8,119	\$ (8,166,615)			
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes						\$ 597,889			
Local Option Sales Taxes						214,270			
Wheel Tax						61,166			
Wholesale Beer Tax						2,772			
Interstate Telecommunications Tax						559			
Grants and Contributions Not Restricted for Specific Programs						6,777,096			
Unrestricted Investment Income						3,724			
Miscellaneous						15,868			
Gain on Sale of Capital Assets						1,230			
Total General Revenues						\$ 7,674,574			
Change in Net Assets						\$ (492,041)			
Net Assets, July 1, 2009						15,920,510			
Net Assets, June 30, 2010						\$ 15,428,469			

Exhibit J-2

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hancock County School Department
June 30, 2010

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
			<u>Fund</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 3,859	\$ 3,859
Equity in Pooled Cash and Investments	2,168,684	38,298	284,296	2,491,278
Accounts Receivable	245	0	0	245
Due from Other Governments	421,876	59,837	10,085	491,798
Property Taxes Receivable	656,290	0	0	656,290
Allowance for Uncollectible Property Taxes	(36,283)	0	0	(36,283)
Notes Receivable - Long-term	11,185	0	0	11,185
Total Assets	<u>\$ 3,221,997</u>	<u>\$ 98,135</u>	<u>\$ 298,240</u>	<u>\$ 3,618,372</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 185,576	\$ 10,319	\$ 5,606	\$ 201,501
Other Current Liabilities	94,330	0	0	94,330
Deferred Revenue - Current Property Taxes	590,123	0	0	590,123
Deferred Revenue - Delinquent Property Taxes	29,163	0	0	29,163
Other Deferred Revenues	29,747	0	0	29,747
Total Liabilities	<u>\$ 928,939</u>	<u>\$ 10,319</u>	<u>\$ 5,606</u>	<u>\$ 944,864</u>
<u>Fund Balances</u>				
Other Local Education Reserves	\$ 25,070	\$ 0	\$ 0	\$ 25,070
Reserved for Basic Education Program	566,824	0	0	566,824
Reserved for Title I Grants to Local Education Agencies	0	5,731	0	5,731
Other Federal Reserves	0	2,085	0	2,085
Unreserved, Reported In:				
General Fund	1,701,164	0	0	1,701,164
Special Revenue Funds	0	80,000	292,634	372,634
Total Fund Balances	<u>\$ 2,293,058</u>	<u>\$ 87,816</u>	<u>\$ 292,634</u>	<u>\$ 2,673,508</u>
Total Liabilities and Fund Balances	<u>\$ 3,221,997</u>	<u>\$ 98,135</u>	<u>\$ 298,240</u>	<u>\$ 3,618,372</u>

Exhibit J-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, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	2,673,508
(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: building and improvements net of accumulated depreciation		11,708,391	
Add: machinery and equipment net of accumulated depreciation		<u>674,515</u>	12,836,056
(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	\$	(22,500)	
Less: other postemployment benefits liability		<u>(117,505)</u>	(140,005)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>58,910</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 15,428,469</u>

Exhibit J-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, 2010

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Funds Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 869,622	\$ 0	\$ 0	\$ 869,622
Licenses and Permits	380	0	0	380
Charges for Current Services	0	0	106,940	106,940
Other Local Revenues	69,919	0	3,724	73,643
State of Tennessee	6,807,909	0	20,461	6,828,370
Federal Government	31,258	1,532,595	520,962	2,084,815
Total Revenues	<u>\$ 7,779,088</u>	<u>\$ 1,532,595</u>	<u>\$ 652,087</u>	<u>\$ 9,963,770</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,163,978	\$ 1,058,822	\$ 0	\$ 5,222,800
Support Services	2,664,467	319,051	0	2,983,518
Operation of Non-Instructional Services	687,624	146,951	589,178	1,423,753
Capital Outlay	93,440	0	0	93,440
Debt Service:				
Other Debt Service	424,477	0	0	424,477
Total Expenditures	<u>\$ 8,033,986</u>	<u>\$ 1,524,824</u>	<u>\$ 589,178</u>	<u>\$ 10,147,988</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (254,898)	\$ 7,771	\$ 62,909	\$ (184,218)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 80,000	\$ 0	\$ 80,000
Transfers Out	(80,000)	0	0	(80,000)
Total Other Financing Sources (Uses)	<u>\$ (80,000)</u>	<u>\$ 80,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (334,898)	\$ 87,771	\$ 62,909	\$ (184,218)
Fund Balance, July 1, 2009	<u>2,627,956</u>	<u>45</u>	<u>229,725</u>	<u>2,857,726</u>
Fund Balance, June 30, 2010	<u>\$ 2,293,058</u>	<u>\$ 87,816</u>	<u>\$ 292,634</u>	<u>\$ 2,673,508</u>

Exhibit J-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, 2010

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (184,218)
(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	\$ 222,894	
Less: current year depreciation expense	<u>(506,171)</u>	(283,277)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 1,230	
Less: proceeds from sale of capital assets	<u>(1,500)</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, 2010	\$ 58,910	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(48,435)</u>	10,475
(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>(42,251)</u>	<u>(34,751)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (492,041)</u>

Exhibit J-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 869,622	\$ 879,760	\$ 879,760	\$ (10,138)
Licenses and Permits	380	600	600	(220)
Other Local Revenues	69,919	25,249	50,997	18,922
State of Tennessee	6,807,909	6,786,351	6,810,128	(2,219)
Federal Government	31,258	31,345	31,345	(87)
Total Revenues	\$ 7,779,088	\$ 7,723,305	\$ 7,772,830	\$ 6,258
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,137,510	\$ 3,099,059	\$ 3,141,498	\$ 3,988
Alternative Instruction Program	20,248	17,108	20,258	10
Special Education Program	608,959	575,271	616,724	7,765
Vocational Education Program	372,728	403,526	374,129	1,401
Adult Education Program	24,533	24,898	25,226	693
<u>Support Services</u>				
Attendance	79,418	81,990	81,882	2,464
Health Services	101,372	102,383	105,860	4,488
Other Student Support	250,614	196,550	263,077	12,463
Regular Instruction Program	357,181	321,388	379,968	22,787
Special Education Program	40,930	39,112	43,606	2,676
Vocational Education Program	35,526	35,100	35,753	227
Adult Programs	18,727	16,653	19,384	657
Other Programs	25,829	0	25,829	0
Board of Education	172,120	187,941	179,001	6,881
Director of Schools	114,197	120,280	119,257	5,060
Office of the Principal	266,634	271,759	271,998	5,364
Fiscal Services	79,099	80,939	79,939	840
Operation of Plant	498,249	534,788	536,466	38,217
Maintenance of Plant	117,366	78,699	120,299	2,933
Transportation	507,205	481,980	531,962	24,757
<u>Operation of Non-Instructional Services</u>				
Community Services	50,922	65,115	64,481	13,559
Early Childhood Education	636,702	633,271	637,640	938
<u>Capital Outlay</u>				
Regular Capital Outlay	93,440	50,000	108,653	15,213
<u>Other Debt Service</u>				
Education	424,477	594,500	594,500	170,023
Total Expenditures	\$ 8,033,986	\$ 8,012,310	\$ 8,377,390	\$ 343,404
Excess (Deficiency) of Revenues Over Expenditures	\$ (254,898)	\$ (289,005)	\$ (604,560)	\$ 349,662

(Continued)

Exhibit J-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 (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (80,000)	\$ 0	\$ (80,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (80,000)	\$ 0	\$ (80,000)	\$ 0
Net Change in Fund Balance	\$ (334,898)	\$ (289,005)	\$ (684,560)	\$ 349,662
Fund Balance, July 1, 2009	2,627,956	289,005	684,560	1,943,396
Fund Balance, June 30, 2010	\$ 2,293,058	\$ 0	\$ 0	\$ 2,293,058

Exhibit J-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,532,595	\$ 2,016,356	\$ 2,031,849	\$ (499,254)
Total Revenues	\$ 1,532,595	\$ 2,016,356	\$ 2,031,849	\$ (499,254)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 735,484	\$ 762,371	\$ 776,276	\$ 40,792
Special Education Program	297,953	519,864	517,118	219,165
Vocational Education Program	25,385	24,904	25,386	1
<u>Support Services</u>				
Other Student Support	79,361	280,097	277,950	198,589
Regular Instruction Program	216,580	258,688	264,811	48,231
Vocational Education Program	700	700	700	0
Transportation	22,410	22,782	25,729	3,319
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	146,951	146,950	146,951	0
Total Expenditures	\$ 1,524,824	\$ 2,016,356	\$ 2,034,921	\$ 510,097
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,771	\$ 0	\$ (3,072)	\$ 10,843
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 80,000	\$ 0	\$ 0	\$ 80,000
Total Other Financing Sources (Uses)	\$ 80,000	\$ 0	\$ 0	\$ 80,000
Net Change in Fund Balance	\$ 87,771	\$ 0	\$ (3,072)	\$ 90,843
Fund Balance, July 1, 2009	45	0	3,072	(3,027)
Fund Balance, June 30, 2010	\$ 87,816	\$ 0	\$ 0	\$ 87,816

Exhibit J-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 106,940	\$ 83,000	\$ 83,000	\$ 23,940
Other Local Revenues	3,724	4,000	4,000	(276)
State of Tennessee	20,461	12,000	12,000	8,461
Federal Government	520,962	465,074	465,074	55,888
Total Revenues	<u>\$ 652,087</u>	<u>\$ 564,074</u>	<u>\$ 564,074</u>	<u>\$ 88,013</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 589,178	\$ 658,493	\$ 658,493	\$ 69,315
Total Expenditures	<u>\$ 589,178</u>	<u>\$ 658,493</u>	<u>\$ 658,493</u>	<u>\$ 69,315</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 62,909</u>	<u>\$ (94,419)</u>	<u>\$ (94,419)</u>	<u>\$ 157,328</u>
Net Change in Fund Balance	\$ 62,909	\$ (94,419)	\$ (94,419)	\$ 157,328
Fund Balance, July 1, 2009	<u>229,725</u>	<u>94,419</u>	<u>94,419</u>	<u>135,306</u>
Fund Balance, June 30, 2010	<u>\$ 292,634</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 292,634</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Hancock County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Paid and/or Matured During Period	Outstanding 6-30-10
<u>NOTES PAYABLE</u>							
<u>Payable through General Fund</u>							
Ambulance	\$ 80,000	3.76 %	7-18-08	7-18-11	\$ 80,000	\$ 25,675	\$ 54,325
Ambulance	77,227	5.2	9-12-07	9-12-10	51,485	25,742	25,743
Total Payable through General Fund					\$ 131,485	\$ 51,417	\$ 80,068
<u>Payable through General Debt Service Fund</u>							
EMS Building (1)	80,000	3.75	6-24-08	6-24-11	\$ 53,333	\$ 26,667	\$ 26,666
Total Payable through General Debt Service Fund					\$ 53,333	\$ 26,667	\$ 26,666
Total Notes Payable					\$ 184,818	\$ 78,084	\$ 106,734
<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	\$ 10,580,000	\$ 330,000	\$ 10,250,000
Jail Construction Refunding	945,000	Variable	6-28-02	5-25-17	575,000	62,000	513,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	1,152,570	50,000	1,102,570
Total Payable through General Debt Service Fund					\$ 12,307,570	\$ 442,000	\$ 11,865,570
Total Other Loans Payable					\$ 12,307,570	\$ 442,000	\$ 11,865,570
<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	\$ 99,457	\$ 31,720	\$ 67,737
Total Payable through General Fund					\$ 99,457	\$ 31,720	\$ 67,737
Total Capital Leases Payable					\$ 99,457	\$ 31,720	\$ 67,737

(Continued)

Exhibit K-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 7-1-09	Paid and/or Matured During Period	Outstanding 6-30-10
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
F.H.A. Industrial Development Bond	\$ 85,000	4.875 %	3-26-1998	3-26-36	\$ 73,522	\$ 1,373	\$ 72,149
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	4,800,000	240,000	4,560,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	150,000	30,000	120,000
Elevator Bond (A)	132,000	4.25	1-11-07	1-11-45	129,030	1,580	127,450
Elevator Bond (B)	93,000	4.375	8-18-06	8-18-44	90,966	1,084	89,882
Total Payable through General Debt Service Fund					<u>\$ 5,243,518</u>	<u>\$ 274,037</u>	<u>\$ 4,969,481</u>
Total Bonds Payable					<u>\$ 5,243,518</u>	<u>\$ 274,037</u>	<u>\$ 4,969,481</u>

(1) In previous years, this note was reflected as payable from the General Fund.

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 79,076	\$ 4,344	\$ 83,420
2012	27,658	1,003	28,661
Total	\$ 106,734	\$ 5,347	\$ 112,081

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 477,000	\$ 60,408	\$ 55,954	\$ 593,362
2012	501,000	58,022	53,540	612,562
2013	524,000	55,513	51,009	630,522
2014	559,000	52,888	48,368	660,256
2015	613,000	50,084	45,559	708,643
2016	638,000	47,003	42,500	727,503
2017	672,000	43,796	39,318	755,114
2018	632,000	40,415	35,974	708,389
2019	658,000	37,178	33,080	728,258
2020	695,000	33,807	30,070	758,877
2021	736,000	30,245	26,894	793,139
2022	768,000	26,471	23,536	818,007
2023	800,000	22,531	20,033	842,564
2024	842,000	18,427	16,385	876,812
2025	878,000	14,107	12,549	904,656
2026	905,000	9,599	8,553	923,152
2027	947,000	4,953	4,435	956,388
2028	20,570	91	128	20,789
Total	\$ 11,865,570	\$ 605,538	\$ 547,885	\$ 13,018,993

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 33,131	\$ 3,014	\$ 36,145
2012	34,606	1,540	36,146
Total	\$ 67,737	\$ 4,554	\$ 72,291

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	6,444	17,085
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	\$ 4,969,481	\$ 2,868,254	\$ 7,837,735

Exhibit K-3

Hancock County, Tennessee
Schedule of Notes and Capital Leases Receivable
Primary Government and Discretely Presented Hancock County School Department
June 30, 2010

<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 6-30-10</u>
<u>PRIMARY GOVERNMENT</u>					
<u>Capital Leases Receivable</u>					
<u>General Debt Service Fund</u>					
Lease Agreement - Wellmont Health Systems	\$ 6,000,000	12-15-03	12-15-28	5.6 %	\$ 4,560,000
"	300,000	12-15-03	12-15-13	4.6	120,000
"	707,534	various	5-25-17	variable	577,550
Total					<u>\$ 5,257,550</u>
<u>DISCRETELY PRESENTED HANCOCK COUNTY</u>					
<u>SCHOOL DEPARTMENT</u>					
<u>General Purpose School Fund</u>					
Promissory Note - Former Teacher Tuition Reimbursement	\$ 7,669	7-1-06	N/A	0 %	\$ 7,669
"	3,516	3-30-07	N/A	0	3,516
Total					<u>\$ 11,185</u>

Exhibit K-4

Hancock County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hancock County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Health Department	Operations	\$ 53,000
Health Department	General	Close fund	6,411
Other Enterprise Fund (Home Health)	General	Operations	400,000
Total Transfers Primary Government			<u>\$ 459,411</u>
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Cash flow	\$ 80,000
Total Transfers Discretely Presented Hancock County School Department			<u>\$ 80,000</u>

Exhibit K-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, 2010

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 Insurance Company
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	77,253 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,251	450,000	Auto-Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,251	25,000	Western Surety Company
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 Insurance Company
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 \$900.

(2) Does not include special commissioner fees of \$3,097.

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

Exhibit K-6

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2010

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,086,373	\$ 232,814	\$ 0	\$ 0	\$ 0	\$ 43,122	\$ 1,362,309	
Trustee's Collections - Prior Year	39,626	6,658	0	0	0	3,024	49,308	
Circuit/Clerk & Master Collections - Prior Years	33,992	6,078	0	0	0	1,719	41,789	
Interest and Penalty	7,448	1,333	0	0	0	505	9,286	
Pick-up Taxes	201	43	0	0	0	8	252	
Payments in-Lieu-of Taxes - T.V.A.	19	3	0	0	0	1	23	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	57,823	0	0	0	0	0	57,823	
Wheel Tax	56,634	0	0	0	0	0	56,634	
Litigation Tax - General	11,809	0	0	0	0	0	11,809	
Litigation Tax - Jail, Workhouse, or Courthouse	9,663	0	0	0	0	0	9,663	
Business Tax	22,555	0	0	0	0	0	22,555	
Other County Local Option Taxes	4,754	0	0	0	0	0	4,754	
<u>Statutory Local Taxes</u>								
Bank Excise Tax	287	0	0	0	0	0	287	
Wholesale Beer Tax	6,135	1,029	0	0	0	357	7,521	
Interstate Telecommunications Tax	447	0	0	0	0	0	447	
<u>City Local Option Taxes</u>								
Business Tax	158	0	0	0	0	0	158	
Total Local Taxes	\$ 1,337,924	\$ 247,958	\$ 0	\$ 0	\$ 0	\$ 48,736	\$ 1,634,618	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 22,730	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,730	
Officers Costs	7,144	0	0	0	0	0	7,144	
Game and Fish Fines	10	0	0	0	0	0	10	
Drug Control Fines	2,580	0	2,405	0	0	0	4,985	
Data Entry Fee - Circuit Court	744	0	0	0	0	0	744	

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>General Sessions Court</u>							
Fines	\$ 7,101	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,101
Officers Costs	6,027	0	0	0	0	0	6,027
Drug Control Fines	464	0	706	0	0	0	1,170
Jail Fees	242	0	0	0	0	0	242
Data Entry Fee - General Sessions Court	662	0	0	0	0	0	662
<u>Chancery Court</u>							
Officers Costs	538	0	0	0	0	0	538
Data Entry Fee - Chancery Court	310	0	0	0	0	0	310
<u>Judicial District Drug Program</u>							
Drug Task Force Forfeitures and Seizures	1,378	0	1,937	0	0	0	3,315
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	108	0	0	0	0	0	108
Total Fines, Forfeitures, and Penalties	\$ 50,038	\$ 0	\$ 5,048	\$ 0	\$ 0	\$ 0	\$ 55,086
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 1,060	\$ 0	\$ 0	\$ 0	\$ 0	1,060
Patient Charges	518,257	0	0	0	0	0	518,257
Work Release Charges for Board	8,576	0	0	0	0	0	8,576
Other General Service Charges	17,679	0	0	0	0	0	17,679
<u>Fees</u>							
Copy Fees	395	0	0	0	0	0	395
Telephone Commissions	37,507	0	0	0	0	0	37,507
Constitutional Officers' Fees and Commissions	0	0	0	829	0	0	829
Special Commissioner Fees/Special Master Fees	0	0	0	3,097	0	0	3,097
Data Processing Fee - Register	2,120	0	0	0	0	0	2,120
Sexual Offender Registration Fees - Sheriff	100	0	0	0	0	0	100
Total Charges for Current Services	\$ 584,634	\$ 1,060	\$ 0	\$ 3,926	\$ 0	\$ 0	\$ 589,620

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,360
Sale of Materials and Supplies	7,621	0	0	0	23,544	0
Commissary Sales	92,614	0	0	0	0	0
Miscellaneous Refunds	18,852	0	0	0	0	0
<u>Nonrecurring Items</u>						
Sale of Property	500	0	0	0	0	0
Contributions and Gifts	500	0	0	0	0	0
Total Other Local Revenues	\$ 120,087	\$ 0	\$ 0	\$ 0	\$ 23,544	\$ 126,360
						\$ 269,991
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 48,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	5,386	0	0	0	0	0
General Sessions Court Clerk	36,925	0	0	0	0	0
Clerk and Master	10,306	0	0	0	0	0
Register	18,547	0	0	0	0	0
Sheriff	1,273	0	0	0	0	0
Trustee	105,730	0	0	0	0	0
Total Fees Received from County Officials	\$ 226,349	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
						\$ 226,349
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
State Reappraisal Grant	\$ 2,927	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	8,400	0	0	0	0	0
Drug Control Grants	5,000	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Public Health Nurses	3,000	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Public Works Grants</u>							
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,992	\$ 0	\$ 75,992
State Aid Program	0	0	0	0	392,888	0	392,888
Litter Program	37,237	0	0	0	0	0	37,237
<u>Other State Revenues</u>							
Income Tax	991	190	0	0	0	225	1,406
Beer Tax	17,778	0	0	0	0	0	17,778
Alcoholic Beverage Tax	17,006	0	0	0	0	0	17,006
State Revenue Sharing - T.V.A.	247,814	0	0	0	0	0	247,814
Emergency Hospital - Prisoners	1,308	0	0	0	0	0	1,308
Board of Jurors	19,745	0	0	0	0	0	19,745
Contracted Prisoner Boarding	783,888	0	0	0	0	0	783,888
Gasoline and Motor Fuel Tax	0	0	0	0	1,246,758	0	1,246,758
Petroleum Special Tax	0	0	0	0	5,445	0	5,445
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	69,579	0	0	0	0	0	69,579
Total State of Tennessee	\$ 1,231,053	\$ 190	\$ 0	\$ 0	\$ 1,721,083	\$ 225	\$ 2,952,551
<u>Federal Government</u>							
<u>Federal Through State</u>							
ARRA Grant # 2	\$ 92,259	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 92,259
ARRA Grant # 3	4,373	0	0	0	0	0	4,373
Other Federal through State	73,421	0	0	0	0	0	73,421
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	52,553	0	0	0	0	0	52,553
Total Federal Government	\$ 222,606	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,606

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 429,434
Contracted Services	279,815	0	0	0	0	0
<u>Other</u>	2,000	0	0	0	0	577,293
Total Other Governments and Citizens Groups	\$ 281,815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,006,727
Total	\$ 4,054,506	\$ 249,208	\$ 5,048	\$ 3,926	\$ 1,744,627	\$ 1,182,048
						\$ 7,239,363

Exhibit K-7

Hancock County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 551,235	\$ 0	\$ 0	\$ 551,235
Trustee's Collections - Prior Year	19,932	0	0	19,932
Circuit/Clerk & Master Collections - Prior Years	17,527	0	0	17,527
Interest and Penalty	3,678	0	0	3,678
Pick-up Taxes	102	0	0	102
Payments in-Lieu-of Taxes - T.V.A.	9	0	0	9
<u>County Local Option Taxes</u>				
Local Option Sales Tax	212,642	0	0	212,642
Wheel Tax	61,166	0	0	61,166
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	2,772	0	0	2,772
Interstate Telecommunications Tax	559	0	0	559
Total Local Taxes	\$ 869,622	\$ 0	\$ 0	\$ 869,622
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 380	\$ 0	\$ 0	\$ 380
Total Licenses and Permits	\$ 380	\$ 0	\$ 0	\$ 380
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 106,940	\$ 106,940
Total Charges for Current Services	\$ 0	\$ 0	\$ 106,940	\$ 106,940
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 3,724	\$ 3,724
Lease/Rentals	815	0	0	815
Refund of Telecommunication and Internet Fees (E-Rate)	20,754	0	0	20,754
Miscellaneous Refunds	11,658	0	0	11,658
<u>Nonrecurring Items</u>				
Sale of Equipment	1,500	0	0	1,500
Damages Recovered from Individuals	694	0	0	694
Contributions and Gifts	14,498	0	0	14,498
<u>Other Local Revenues</u>				
Other Local Revenues	20,000	0	0	20,000
Total Other Local Revenues	\$ 69,919	\$ 0	\$ 3,724	\$ 73,643
<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	5,690,047	0	0	5,690,047
Basic Education Program - ARRA	185,200	0	0	185,200
Early Childhood Education	633,270	0	0	633,270
School Food Service	0	0	20,461	20,461

(Continued)

Exhibit K-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>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Other State Education Funds	\$ 11,109	\$ 0	\$ 0	\$ 11,109
Coordinated School Health - ARRA	85,000	0	0	85,000
Internet Connectivity - ARRA	2,897	0	0	2,897
Professional Development - ARRA	1,027	0	0	1,027
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	2,677	0	0	2,677
Career Ladder Program	75,413	0	0	75,413
Career Ladder - Extended Contract - ARRA	31,700	0	0	31,700
<u>Other State Revenues</u>				
Income Tax	720	0	0	720
Safe Schools - ARRA	7,900	0	0	7,900
Other State Revenues	21,820	0	0	21,820
Total State of Tennessee	\$ 6,807,909	\$ 0	\$ 20,461	\$ 6,828,370
<u>Federal Government</u>				
<u>Federal through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 340,886	\$ 340,886
Breakfast	0	0	143,907	143,907
USDA - Other	0	0	28,050	28,050
USDA Food Service Equipment Grant - ARRA	0	0	8,119	8,119
Adult Education State Grant Program	31,258	0	0	31,258
Vocational Education - Basic Grants to States	0	28,869	0	28,869
Title I Grants to Local Education Agencies	0	866,326	0	866,326
Special Education - Grants to States	0	328,681	0	328,681
Special Education Preschool Grants	0	10,531	0	10,531
Safe and Drug-free Schools - State Grants	0	8,208	0	8,208
Rural Education	0	25,222	0	25,222
Eisenhower Professional Development State Grants	0	112,653	0	112,653
Other Federal through State	0	152,105	0	152,105
Total Federal Government	\$ 31,258	\$ 1,532,595	\$ 520,962	\$ 2,084,815
Total	\$ 7,779,088	\$ 1,532,595	\$ 652,087	\$ 9,963,770

Exhibit K-8

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	35,955	
Social Security		2,750	
Unemployment Compensation		14	
Audit Services		4,572	
Contributions		11,200	
Dues and Memberships		4,772	
Legal Notices, Recording, and Court Costs		1,087	
Travel		2,337	
Other Charges		7,223	
Total County Commission			\$ 69,910

Board of Equalization

Board and Committee Members Fees	\$	1,200	
Legal Notices, Recording, and Court Costs		21	
Total Board of Equalization			1,221

County Mayor/Executive

County Official/Administrative Officer	\$	65,600	
Secretary(ies)		32,868	
Social Security		7,590	
Unemployment Compensation		24	
Communication		8,185	
Data Processing Services		7,306	
Dues and Memberships		68	
Operating Lease Payments		734	
Postal Charges		3,210	
Travel		7,896	
Office Supplies		7,574	
Premiums on Corporate Surety Bonds		310	
Total County Mayor/Executive			141,365

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	47,026	
Other Salaries and Wages		1,025	
Election Commission		4,050	
Election Workers		5,272	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	3,907	
Unemployment Compensation		17	
Communication		2,014	
Data Processing Services		7,026	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		1,753	
Maintenance and Repair Services - Equipment		28	
Postal Charges		1,362	
Printing, Stationery, and Forms		694	
Rentals		750	
Travel		3,190	
Other Contracted Services		2,140	
Data Processing Supplies		61	
Office Supplies		1,586	
Office Equipment		828	
Total Election Commission			\$ 82,929

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		18,430	
Social Security		5,390	
Unemployment Compensation		84	
Communication		1,874	
Data Processing Services		1,307	
Dues and Memberships		688	
Operating Lease Payments		1,876	
Travel		1,756	
Office Supplies		1,963	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			85,719

County Buildings

Custodial Personnel	\$	12,658
Social Security		968
Unemployment Compensation		142
Contributions		20,000
Maintenance and Repair Services - Buildings		10,753
Other Contracted Services		4,501
Custodial Supplies		15,034
Electricity		29,254

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Water and Sewer	\$	8,998	
Other Supplies and Materials		4,987	
Total County Buildings			\$ 107,295

Finance

Purchasing

Data Processing Personnel	\$	55,816	
Social Security		4,270	
Unemployment Compensation		228	
Communication		1,580	
Operating Lease Payments		2,797	
Office Supplies		3,709	
Total Purchasing			68,400

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		23,701	
Social Security		5,810	
Unemployment Compensation		84	
Audit Services		1,400	
Communication		993	
Dues and Memberships		770	
Legal Notices, Recording, and Court Costs		115	
Travel		1,243	
Office Supplies		857	
Premiums on Corporate Surety Bonds		117	
Total Property Assessor's Office			87,341

Reappraisal Program

Clerical Personnel	\$	18,168	
Social Security		1,390	
Unemployment Compensation		161	
Contracts with Government Agencies		4,179	
Maintenance and Repair Services - Vehicles		865	
Gasoline		954	
Premiums on Corporate Surety Bonds		100	
Vehicle and Equipment Insurance		443	
Total Reappraisal Program			26,260

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		19,798	
Social Security		5,512	
Unemployment Compensation		83	
Communication		2,928	
Data Processing Services		5,628	
Dues and Memberships		409	
Operating Lease Payments		65	
Legal Notices, Recording, and Court Costs		386	
Postal Charges		1,544	
Office Supplies		1,848	
Premiums on Corporate Surety Bonds		3,285	
Total County Trustee's Office			\$ 93,737

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		46,792	
Part-time Personnel		92	
Other Per Diem and Fees		550	
Social Security		7,609	
Unemployment Compensation		224	
Communication		1,607	
Data Processing Services		3,220	
Dues and Memberships		429	
Legal Notices, Recording, and Court Costs		128	
Postal Charges		72	
Travel		1,928	
Office Supplies		1,716	
Premiums on Corporate Surety Bonds		200	
Total County Clerk's Office			116,818

Other Finance

Trustee's Commission	\$	46,509	
Total Other Finance			46,509

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		38,231	
Jury and Witness Fees		2,667	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Social Security	\$	6,922	
Unemployment Compensation		250	
Communication		2,853	
Dues and Memberships		359	
Operating Lease Payments		2,174	
Legal Notices, Recording, and Court Costs		16	
Postal Charges		176	
Travel		405	
Office Supplies		2,732	
Other Supplies and Materials		25	
Premiums on Corporate Surety Bonds		325	
Total Circuit Court			\$ 109,386

General Sessions Court

Judge(s)	\$	61,985	
Social Security		4,742	
Dues and Memberships		300	
Travel		1,193	
Total General Sessions Court			68,220

Chancery Court

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		19,608	
Social Security		5,497	
Unemployment Compensation		84	
Communication		3,443	
Dues and Memberships		379	
Operating Lease Payments		1,918	
Maintenance and Repair Services - Office Equipment		168	
Travel		2,260	
Office Supplies		4,577	
Premiums on Corporate Surety Bonds		200	
Total Chancery Court			90,385

District Attorney General

Other Contracted Services	\$	10,460	
Total District Attorney General			10,460

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	62,477	
Deputy(ies)		129,810	
Investigator(s)		47,347	
In-Service Training		7,874	
Social Security		18,929	
Unemployment Compensation		903	
Dues and Memberships		1,320	
Maintenance and Repair Services - Vehicles		9,893	
Gasoline		49,329	
Law Enforcement Supplies		3,076	
Lubricants		342	
Tires and Tubes		5,024	
Uniforms		5,604	
Vehicle Parts		398	
Liability Insurance		31,009	
Premiums on Corporate Surety Bonds		3,437	
Vehicle and Equipment Insurance		35,449	
Motor Vehicles		5,173	
Total Sheriff's Department			\$ 417,394

Jail

Accountants/Bookkeepers	\$	15,455
Medical Personnel		21,342
Dispatchers/Radio Operators		158,028
Guards		277,005
Clerical Personnel		19,906
Cafeteria Personnel		20,493
Custodial Personnel		18,074
Social Security		40,347
Unemployment Compensation		3,066
Communication		16,849
Operating Lease Payments		3,600
Maintenance and Repair Services - Buildings		3,615
Maintenance and Repair Services - Equipment		1,439
Medical and Dental Services		72,982
Postal Charges		2,043
Transportation - Other than Students		371
Travel		12,657
Other Contracted Services		9,564
Custodial Supplies		30,315

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Drugs and Medical Supplies	\$	1,365	
Electricity		55,033	
Food Supplies		152,146	
General Construction Materials		851	
Library Books/Media		296	
Office Supplies		3,918	
Water and Sewer		35,956	
Other Supplies and Materials		36,812	
Other Charges		1,997	
Office Equipment		162	
Other Equipment		900	
Total Jail			\$ 1,016,587

Juvenile Services

Youth Service Officer(s)	\$	10,927	
Social Security		836	
Unemployment Compensation		84	
Communication		730	
Contracts with Other Public Agencies		3,405	
Dues and Memberships		155	
Maintenance and Repair Services - Office Equipment		90	
Travel		632	
Other Contracted Services		47,049	
Office Supplies		75	
Total Juvenile Services			63,983

Commissary

Other Supplies and Materials	\$	37,982	
Other Charges		8,713	
Total Commissary			46,695

Civil Defense

Other Salaries and Wages	\$	6,600	
In-Service Training		4,795	
Social Security		505	
Unemployment Compensation		79	
Communication		1	
Maintenance and Repair Services - Vehicles		1,071	
Travel		210	
Other Contracted Services		9,862	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Diesel Fuel	\$	2,164	
Office Supplies		914	
Other Supplies and Materials		9,095	
Vehicle and Equipment Insurance		22,568	
Other Charges		600	
Total Civil Defense			\$ 58,464

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	\$	4,468	
Total Other Public Safety			4,468

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	40,942	
Medical Personnel		312,251	
Part-time Personnel		118,998	
Board and Committee Members Fees		550	
In-Service Training		4,745	
Social Security		35,896	
Unemployment Compensation		2,149	
Communication		5,489	
Data Processing Services		26,102	
Dues and Memberships		1,740	
Operating Lease Payments		264	
Legal Notices, Recording, and Court Costs		103	
Maintenance and Repair Services - Buildings		10,410	
Maintenance and Repair Services - Vehicles		11,941	
Medical and Dental Services		3,279	
Postal Charges		1,120	
Travel		2,271	
Other Contracted Services		4,999	
Custodial Supplies		6,214	

(Continued)

Exhibit K-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.)

Diesel Fuel	\$	23,502	
Drugs and Medical Supplies		25,979	
Electricity		5,672	
Office Supplies		531	
Propane Gas		1,873	
Tires and Tubes		4,677	
Uniforms		3,841	
Water and Sewer		992	
Other Supplies and Materials		4,361	
Refunds		5,142	
Vehicle and Equipment Insurance		24,499	
Other Charges		710	
Building Improvements		23,465	
Motor Vehicles		3,700	
Office Equipment		1,137	
Total Ambulance/Emergency Medical Services			\$ 719,544

Alcohol and Drug Programs

Investigator(s)	\$	923	
Social Security		71	
Other Supplies and Materials		109	
Other Charges		4,130	
Total Alcohol and Drug Programs			5,233

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Medical Personnel	\$	49,680	
Part-time Personnel		3,155	
Social Security		4,042	
Unemployment Compensation		206	
Printing, Stationery, and Forms		45	
Travel		347	
Other Contracted Services		1,580	
Other Supplies and Materials		71	
Other Equipment		8,987	
Total Other Local Health Services			68,113

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management

Guards	\$	15,597	
Clerical Personnel		2,300	
Other Salaries and Wages		300	
Social Security		1,580	
Unemployment Compensation		94	
Other Supplies and Materials		4,259	
Motor Vehicles		5,000	
Total Sanitation Management			\$ 29,130

Other Public Health and Welfare

Travel	\$	280	
Other Supplies and Materials		30	
Other Charges		480	
Total Other Public Health and Welfare			790

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	7,796	
Total Senior Citizens Assistance			7,796

Libraries

Librarians	\$	19,992	
Part-time Personnel		11,337	
Social Security		2,397	
Unemployment Compensation		170	
Communication		132	
Contributions		15,600	
Library Books/Media		3,164	
Total Libraries			52,792

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,792	
Rentals		6,000	
Other Contracted Services		26,880	
Custodial Supplies		54	
Electricity		998	
Office Supplies		397	
Water and Sewer		912	
Office Equipment		2,219	
Total Agriculture Extension Service			39,252

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Communication	\$	499	
Contributions		13,440	
Rentals		3,840	
Electricity		513	
Total Soil Conservation			\$ 18,292

Other Operations

Public Transportation

Supervisor/Director	\$	25,963	
Bus Drivers		139,780	
Social Security		12,988	
Unemployment Compensation		755	
Communication		4,630	
Dues and Memberships		2,000	
Legal Notices, Recording, and Court Costs		559	
Maintenance and Repair Services - Buildings		139	
Maintenance and Repair Services - Vehicles		11,065	
Gasoline		33,866	
Lubricants		26	
Office Supplies		649	
Tires and Tubes		3,663	
Vehicle and Equipment Insurance		26,462	
Other Charges		2,278	
Office Equipment		1,041	
Total Public Transportation			265,864

Veterans' Services

Other Salaries and Wages	\$	3,852	
Social Security		278	
Unemployment Compensation		44	
Communication		1,155	
Dues and Memberships		25	
Travel		168	
Other Supplies and Materials		38	
Total Veterans' Services			5,560

Other Charges

Other Salaries and Wages	\$	210,672	
Total Other Charges			210,672

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

State Retirement	\$ 35,944	
Employee and Dependent Insurance	153,294	
Total Employee Benefits		\$ 189,238

ARRA Grant # 2

Motor Vehicles	\$ 93,681	
Total ARRA Grant # 2		93,681

ARRA Grant # 3

Other Equipment	\$ 4,373	
Total ARRA Grant # 3		4,373

Principal on Debt

General Government

Principal on Notes	\$ 51,418	
Principal on Capital Leases	31,720	
Total General Government		83,138

Interest on Debt

General Government

Interest on Notes	\$ 5,719	
Interest on Capital Leases	4,425	
Total General Government		10,144

Total General Fund \$ 4,648,973

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 17,366
Truck Drivers	49,811
Other Salaries and Wages	28,177
Social Security	7,349
Employee and Dependent Insurance	8,274
Unemployment Compensation	547
Communication	876
Contracts with Private Agencies	89,206
Maintenance and Repair Services - Equipment	9,041
Other Contracted Services	4,360
Crushed Stone	903

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)
Public Health and Welfare (Cont.)
Sanitation Management (Cont.)

Diesel Fuel	\$	16,625	
Electricity		2,319	
Lubricants		689	
Tires and Tubes		3,250	
Vehicle Parts		266	
Other Supplies and Materials		419	
Trustee's Commission		5,353	
Vehicle and Equipment Insurance		3,710	
Other Charges		41	
Total Sanitation Management			\$ 248,582

Total Solid Waste/Sanitation Fund \$ 248,582

Health Department Fund
Public Health and Welfare
Local Health Center

Custodial Personnel	\$	9,171	
Social Security		701	
Unemployment Compensation		85	
Communication		5,351	
Operating Lease Payments		2,200	
Maintenance Agreements		723	
Maintenance and Repair Services - Buildings		3,051	
Pest Control		342	
Postal Charges		1,673	
Custodial Supplies		3,879	
Drugs and Medical Supplies		1,345	
Electricity		14,681	
Office Supplies		1,690	
Water and Sewer		2,278	
Other Supplies and Materials		365	
Building and Contents Insurance		1,426	
Other Charges		3,197	
Total Local Health Center			\$ 52,158

Total Health Department Fund 52,158

(Continued)

Exhibit K-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$	31	
Other Charges		140	
Total Drug Enforcement			\$ 171

Total Drug Control Fund \$ 171

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	84	
Total County Trustee's Office			\$ 84

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	614	
Total Circuit Court			614

General Sessions Court

Constitutional Officers' Operating Expenses	\$	131	
Total General Sessions Court			131

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	3,097	
Total Chancery Court			3,097

Total Constitutional Officers - Fees Fund 3,926

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477	
Accountants/Bookkeepers		23,500	
Laborers		316,793	
Overtime Pay		19,155	
Data Processing Services		4,772	
Office Supplies		2,106	
Utilities		10,345	
Total Administration			\$ 434,148

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Contracts with Private Agencies	\$	178,677	
Asphalt - Hot Mix		343,305	
Crushed Stone		200,551	
Pipe - Metal		10,698	
Other Supplies and Materials		20,757	
Total Highway and Bridge Maintenance			\$ 753,988

Operation and Maintenance of Equipment

Diesel Fuel	\$	42,027	
Equipment and Machinery Parts		29,045	
Gasoline		35,474	
Lubricants		3,114	
Tires and Tubes		15,698	
Total Operation and Maintenance of Equipment			125,358

Other Charges

Dues and Memberships	\$	1,952	
Licenses		350	
Trustee's Commission		12,522	
Vehicle and Equipment Insurance		39,600	
Other Charges		5,953	
Total Other Charges			60,377

Employee Benefits

Social Security	\$	31,907	
State Retirement		4,098	
Life Insurance		11,620	
Medical Insurance		26,998	
Unemployment Compensation		3,944	
Other Fringe Benefits		6,849	
Workers' Compensation Insurance		24,283	
Total Employee Benefits			109,699

Capital Outlay

Operating Lease Payments	\$	2,316	
Bridge Construction		75,992	
State Aid Projects		419,841	
Total Capital Outlay			498,149

Total Highway/Public Works Fund \$ 1,981,719

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 274,037	
Principal on Notes	26,667	
Principal on Other Loans	88,350	
Total General Government		\$ 389,054
<u>Education</u>		
Principal on Other Loans	\$ 353,650	
Total Education		353,650
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 289,420	
Interest on Notes	2,025	
Interest on Other Loans	4,340	
Total General Government		295,785
<u>Education</u>		
Interest on Other Loans	\$ 47,957	
Total Education		47,957
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 8,891	
Other Debt Service	8,148	
Total General Government		17,039
<u>Education</u>		
Other Debt Service	\$ 51,923	
Total Education		51,923
Total General Debt Service Fund		\$ 1,155,408
Total Governmental Funds - Primary Government		\$ 8,090,937

Exhibit K-9

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hancock County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,355,309	
Career Ladder Program		44,000	
Career Ladder Extended Contracts		30,600	
Homebound Teachers		8,880	
Other Salaries and Wages		36,047	
Non-certified Substitute Teachers		38,728	
Social Security		150,175	
State Retirement		158,682	
Medical Insurance		187,383	
Unemployment Compensation		7,622	
Employer Medicare		35,122	
Instructional Supplies and Materials		7,427	
Textbooks		77,535	
Total Regular Instruction Program			\$ 3,137,510

Alternative Instruction Program

Other Salaries and Wages	\$	9,269	
Social Security		575	
Unemployment Compensation		145	
Employer Medicare		134	
Contracts with Other School Systems		10,125	
Total Alternative Instruction Program			20,248

Special Education Program

Teachers	\$	363,789	
Career Ladder Program		6,000	
Educational Assistants		87,308	
Non-certified Substitute Teachers		3,853	
Social Security		27,556	
State Retirement		23,740	
Medical Insurance		33,046	
Unemployment Compensation		1,957	
Employer Medicare		6,445	
Other Contracted Services		31,127	
Other Supplies and Materials		10,816	
Other Charges		13,322	
Total Special Education Program			608,959

(Continued)

Exhibit K-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

Teachers	\$	293,043	
Career Ladder Program		5,000	
Educational Assistants		10,408	
Non-certified Substitute Teachers		3,716	
Social Security		18,725	
State Retirement		19,134	
Medical Insurance		13,465	
Unemployment Compensation		956	
Employer Medicare		4,379	
Instructional Supplies and Materials		734	
T&I Construction Materials		3,168	
Total Vocational Education Program			\$ 372,728

Adult Education Program

Teachers	\$	6,048	
Other Salaries and Wages		16,564	
Social Security		1,316	
State Retirement		94	
Unemployment Compensation		183	
Employer Medicare		328	
Total Adult Education Program			24,533

Support Services

Attendance

Supervisor/Director	\$	28,512	
Other Salaries and Wages		41,608	
Social Security		4,281	
State Retirement		1,830	
Medical Insurance		1,848	
Unemployment Compensation		338	
Employer Medicare		1,001	
Total Attendance			79,418

Health Services

Other Salaries and Wages	\$	67,388
Social Security		3,894
State Retirement		3,518
Medical Insurance		8,843
Unemployment Compensation		263

(Continued)

Exhibit K-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.)

Health Services (Cont.)

Employer Medicare	\$	911	
Travel		2,198	
Other Supplies and Materials		9,647	
Other Charges		4,710	
Total Health Services			\$ 101,372

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		96,635	
School Resource Officer		51,344	
Other Salaries and Wages		66,280	
Social Security		14,469	
State Retirement		6,332	
Medical Insurance		8,859	
Unemployment Compensation		1,311	
Employer Medicare		3,384	
Total Other Student Support			250,614

Regular Instruction Program

Supervisor/Director	\$	29,112	
Career Ladder Program		4,000	
Librarians		81,070	
Materials Supervisor		46,386	
Instructional Computer Personnel		54,844	
Other Salaries and Wages		55,850	
Social Security		16,348	
State Retirement		10,308	
Medical Insurance		8,923	
Unemployment Compensation		1,507	
Employer Medicare		3,823	
Consultants		350	
Maintenance and Repair Services - Equipment		2,350	
Travel		2,344	
Other Contracted Services		15,141	
Library Books/Media		4,328	
Other Supplies and Materials		5,297	
Other Charges		15,200	
Total Regular Instruction Program			357,181

(Continued)

Exhibit K-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.)

Special Education Program

Supervisor/Director	\$	27,139	
Career Ladder Program		1,000	
Social Security		1,708	
State Retirement		1,806	
Medical Insurance		2,284	
Employer Medicare		399	
Travel		6,594	
Total Special Education Program			\$ 40,930

Vocational Education Program

Supervisor/Director	\$	27,139	
Social Security		1,624	
State Retirement		1,742	
Medical Insurance		1,848	
Unemployment Compensation		116	
Employer Medicare		380	
Travel		2,677	
Total Vocational Education Program			35,526

Adult Programs

Supervisor/Director	\$	12,500	
Career Ladder Program		1,000	
Social Security		775	
State Retirement		803	
Medical Insurance		745	
Employer Medicare		182	
Postal Charges		14	
Other Supplies and Materials		1,086	
In Service/Staff Development		422	
Other Equipment		1,200	
Total Adult Programs			18,727

Other Programs

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

Board of Education

Secretary to Board	\$	1,100	
Board and Committee Members Fees		6,800	

(Continued)

Exhibit K-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.)

Board of Education (Cont.)

Social Security	\$	490	
Unemployment Compensation		116	
Employer Medicare		115	
Audit Services		5,025	
Dues and Memberships		9,053	
Legal Services		315	
Travel		3,001	
Judgments		9,300	
Liability Insurance		82,406	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		30,959	
Other Charges		23,090	
Total Board of Education			\$ 172,120

Director of Schools

County Official/Administrative Officer	\$	77,253	
Social Security		4,598	
State Retirement		4,960	
Medical Insurance		9,333	
Unemployment Compensation		112	
Employer Medicare		1,075	
Other Fringe Benefits		1,375	
Communication		13,602	
Postal Charges		528	
Travel		1,361	
Total Director of Schools			114,197

Office of the Principal

Principals	\$	129,278	
Career Ladder Program		3,000	
Assistant Principals		55,044	
Secretary(ies)		39,692	
Social Security		13,617	
State Retirement		12,026	
Medical Insurance		10,091	
Unemployment Compensation		701	
Employer Medicare		3,185	
Total Office of the Principal			266,634

(Continued)

Exhibit K-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.)

Fiscal Services

Accountants/Bookkeepers	\$	61,980	
Social Security		3,815	
Unemployment Compensation		231	
Employer Medicare		892	
Travel		422	
Other Contracted Services		7,313	
Other Supplies and Materials		4,446	
Total Fiscal Services			\$ 79,099

Operation of Plant

Supervisor/Director	\$	13,824	
Custodial Personnel		131,211	
Social Security		9,069	
Unemployment Compensation		1,119	
Employer Medicare		2,121	
Maintenance and Repair Services - Equipment		9,846	
Disposal Fees		3,542	
Other Contracted Services		6,966	
Custodial Supplies		11,203	
Electricity		256,006	
Natural Gas		26,370	
Water and Sewer		26,972	
Total Operation of Plant			498,249

Maintenance of Plant

Supervisor/Director	\$	15,234	
Social Security		977	
Unemployment Compensation		80	
Employer Medicare		229	
Maintenance and Repair Services - Buildings		19,781	
Maintenance and Repair Services - Equipment		80,963	
Other Supplies and Materials		102	
Total Maintenance of Plant			117,366

Transportation

Supervisor/Director	\$	21,012	
Mechanic(s)		13,746	
Bus Drivers		163,462	
Other Salaries and Wages		16,012	

(Continued)

Exhibit K-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.)

Transportation (Cont.)

Social Security	\$	12,888	
State Retirement		1,092	
Medical Insurance		2,828	
Unemployment Compensation		1,946	
Employer Medicare		3,123	
Maintenance and Repair Services - Vehicles		55,046	
Diesel Fuel		55,802	
Gasoline		27,190	
Tires and Tubes		7,462	
Other Charges		5,896	
Transportation Equipment		119,700	
Total Transportation			\$ 507,205

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	28,490	
Other Salaries and Wages		13,763	
Social Security		2,574	
State Retirement		1,829	
Unemployment Compensation		223	
Employer Medicare		602	
Other Supplies and Materials		1,317	
Other Charges		2,124	
Total Community Services			50,922

Early Childhood Education

Other Salaries and Wages	\$	423,164	
Social Security		25,502	
State Retirement		15,410	
Medical Insurance		13,508	
Unemployment Compensation		1,753	
Employer Medicare		5,964	
Travel		4,981	
Other Supplies and Materials		129,203	
Other Charges		17,217	
Total Early Childhood Education			636,702

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 93,440	
Total Regular Capital Outlay		\$ 93,440

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 424,477	
Total Education		424,477

Total General Purpose School Fund \$ 8,033,986

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 421,284	
Educational Assistants	126,012	
Other Salaries and Wages	616	
Non-certified Substitute Teachers	6,580	
Social Security	33,381	
State Retirement	26,882	
Medical Insurance	17,708	
Unemployment Compensation	2,174	
Employer Medicare	7,807	
Instructional Supplies and Materials	18,025	
Textbooks	24,438	
Regular Instruction Equipment	50,577	
Total Regular Instruction Program		\$ 735,484

Special Education Program

Teachers	\$ 38,349
Educational Assistants	165,387
Non-certified Substitute Teachers	152
Social Security	12,261
State Retirement	2,462
Medical Insurance	6,173
Unemployment Compensation	1,828
Employer Medicare	2,867
Other Contracted Services	34,284
Instructional Supplies and Materials	1,758
Textbooks	693

(Continued)

Exhibit K-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.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	14,526	
Special Education Equipment		17,213	
Total Special Education Program			\$ 297,953

Vocational Education Program

Educational Assistants	\$	10,584	
Social Security		631	
Unemployment Compensation		107	
Employer Medicare		148	
Other Contracted Services		750	
Instructional Supplies and Materials		11,916	
Vocational Instruction Equipment		1,249	
Total Vocational Education Program			25,385

Support Services

Other Student Support

Maintenance and Repair Services - Equipment	\$	2,253	
Travel		9,317	
Other Contracted Services		30,191	
In Service/Staff Development		3,062	
Other Charges		34,538	
Total Other Student Support			79,361

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		306	
Employer Medicare		1,425	
Operating Lease Payments		1,400	
Travel		9,398	
Library Books/Media		13,044	
Other Supplies and Materials		29,879	
In Service/Staff Development		51,084	
Total Regular Instruction Program			216,580

(Continued)

Exhibit K-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.)

Vocational Education Program

Travel	\$ 700	
Total Vocational Education Program		\$ 700

Transportation

Bus Drivers	\$ 20,706	
Social Security	1,284	
Unemployment Compensation	120	
Employer Medicare	300	
Total Transportation		22,410

Operation of Non-Instructional Services

Early Childhood Education

Other Salaries and Wages	\$ 118,801	
Social Security	7,166	
State Retirement	1,833	
Medical Insurance	2,825	
Unemployment Compensation	704	
Employer Medicare	1,676	
Other Contracted Services	3,750	
Other Supplies and Materials	10,196	
Total Early Childhood Education		146,951

Total School Federal Projects Fund \$ 1,524,824

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 48,354	
Cafeteria Personnel	129,980	
Social Security	11,029	
State Retirement	3,104	
Unemployment Compensation	1,365	
Employer Medicare	2,579	
Maintenance and Repair Services - Equipment	15,707	
Travel	607	
Other Contracted Services	5,949	
Food Supplies	355,275	
Other Supplies and Materials	2,660	
In Service/Staff Development	524	
Food Service Equipment	12,045	
Total Food Service		\$ 589,178

Total Central Cafeteria Fund 589,178

Total Governmental Funds - Hancock County School Department \$ 10,147,988

Exhibit K-10

Hancock County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balance - City Agency Fund
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 154,418
Total Cash Receipts	<u>\$ 154,418</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 152,874
Trustee's Commission	1,544
Total Cash Disbursements	<u>\$ 154,418</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
 Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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 20, 2010

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 business-type 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, 2010, which collectively comprise Hancock County's basic financial statements and have issued our report thereon dated September 20, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, and 10.09.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.03 and 10.08.

Compliance and Other Matters

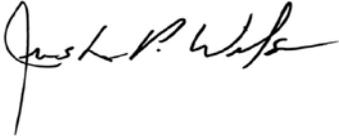
As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 10.04, 10.05, 10.06, and 10.07.

We also noted certain matters that we reported to management of Hancock County in separate communications.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, Board of County Commissioners, 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 vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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 20, 2010

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, 2010. 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.

As described in items 10.05 and 10.10 in the accompanying Schedule of Findings and Questioned Costs, Hancock County did not comply with requirements regarding matching, level of effort, and earmarking; and activities allowed or unallowed and allowable cost/cost principles; that are applicable to its Special Education Cluster major federal program. Compliance with such requirements is necessary, in our opinion, for Hancock County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

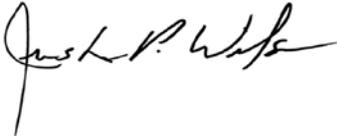
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hancock County as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010. 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.

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

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Hancock County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 143,907
National School Lunch Program	10.555	N/A	368,936 (4)
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	8,119
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	28,285 (4)
Total U.S. Department of Agriculture			<u>\$ 549,247</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	GG-10-102910-00	\$ 52,553
Passed-through State Administrative Office of the Courts:			
Recovery Act - Edward Byrne Memorial Justice Assistance (JAG) Grant Program/Grants to States and Territories	16.803	N/A	4,373
Total U.S. Department of Justice			<u>\$ 56,926</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	(2)	\$ 73,421 (5)
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	Z-09-219911-00	92,259 (5)
Total U.S. Department of Transportation			<u>\$ 165,680</u>
Appalachian Regional Commission:			
Passed-through Marshall University:			
Appalachian Area Development	23.002	(3)	\$ 790
Total Appalachian Regional Commission			<u>\$ 790</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - Basic Grants to States	84.002	Z-10-218511-00	\$ 31,258
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	688,638
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	169,920
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	249,428
Special Education - Preschool Grants	84.173	N/A	6,876
Special Education - Grants to States, Recovery Act	84.391	N/A	79,251
Special Education - Preschool Grants, Recovery Act	84.392	N/A	3,655
Career and Technical Education - Basic Grants to States	84.048	N/A	28,869
Safe and Drug-free Schools and Communities - State Grants	84.186	(3)	8,208
Even Start - State Educational Agencies	84.213	(3)	146,950
Education Technology Cluster:			
Education Technology State Grants	84.318	(3)	2,081
Education Technology State Grants, Recovery Act	84.386	N/A	3,073
Rural Education	84.358	N/A	25,222
Improving Teacher Quality State Grants	84.367	N/A	112,653
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	185,200
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	N/A	164,501
Total U.S. Department of Education			<u>\$ 1,905,783</u>
Total Expenditures of Federal Awards			<u>\$ 2,678,426</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>			
Litter Program - State Department of Transportation	N/A	(3)	\$ 37,237
Juvenile Service Program - State Commission on Children and Youth	N/A	(3)	9,000
Bridge Program - State Department of Transportation	N/A	(3)	75,992
State Aid Program - State Department of Transportation	N/A	(3)	392,888
Adult Basic Education - State Department of Education	N/A	Z-10-218511-00	11,109
Early Childhood Education Pilot Project - State Department of Education	N/A	(3)	633,270
Health Department Program - State Department of Health	N/A	Z-10-219796-00	69,579
State Reappraisal - Comptroller of the Treasury	N/A	(3)	<u>2,927</u>
Total State Grants			<u>\$ 1,232,002</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Z-09-213694-00: \$39,760; Z-10-219671-00: \$33,661.

(3) Information not available.

(4) Total for CFDA No. 10.555 is \$397,221.

(5) Total for CFDA No. 20.509 is \$165,680.

Hancock County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

HANCOCK COUNTY AND HANCOCK COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	168	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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	169	The office had deficiencies in the purchase order system

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.08	171	Execution docket trial balances did not reconcile with cash journal accounts

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.11	173	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

HANCOCK COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

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, the business-type 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. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Hancock County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. A qualified opinion was issued on compliance for the Special Education Cluster major program. An unqualified opinion was issued on compliance for the Child Nutrition Cluster, Title I Cluster, and State Fiscal Stabilization Cluster major programs.
6. Our audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397); 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. The county mayor provided a written response on one finding, which is paraphrased in this report.

HANCOCK COUNTY AND HANCOCK COUNTY SCHOOL DEPARTMENT

FINDING 10.01 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 10.02 **THE COUNTY MADE UNAUTHORIZED SALARY PAYMENTS TO AN EMPLOYEE**

(Internal Control – Material Weakness Under Government Auditing Standards)

The County Mayor's Office made eight salary payments to an employee of the Hancock County Emergency Management Services Department (EMS) for the pay periods dated March 30, 2010, through July 6, 2010, after the employee had exhausted all of his accumulated leave. These payments were purportedly made while the employee was in a court ordered medical program. It should be noted that the county mayor reimbursed the county \$6,864 for these unauthorized salary payments on August 31, 2010.

The Hancock County Employees Handbook provides for the accumulation of specified amounts of vacation and sick leave for employees to continue their pay while on approved leave. However, this handbook states that "employees who have used all of their accumulated sick leave will not receive financial compensation for additional days needed due to illness or injury. For any additional time needed, employees will be considered on leave without pay status unless the employees have accumulated vacation time or comp time remaining."

As a result of the unauthorized payments noted above, we decided to perform additional tests of the payroll system. We reviewed documentation to support all disbursements made to EMS Department employees for the pay periods ending January 5, 2010, through June 8, 2010. In addition, we tested all general county employees' payroll disbursements for the pay period ended June 15, 2010, and salary supplements dated June 9, 2010. The extended tests of the County Mayor's Office payroll procedures revealed that some time and attendance records were not signed by the employees and their supervisors as evidence of review and approval. If employees and supervisors do not review and approve time sheets, improper payments could result.

RECOMMENDATION

Hancock County should comply with the county's written personnel policies. Employees should not be paid for hours they do not work and should not be paid once accumulated vacation, sick leave, and comp-time days are exhausted. Time and attendance records should be signed by both the employees and their supervisors as evidence of review and approval.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I am writing a letter of explanation to clarify the finding for payment of salary without leave.

During the spring of 2010, I paid a licensed emergency medical technician employed at the Hancock County Ambulance Authority while he was on extended medical leave. I did not create time sheets, or information that implied the employee was present, but I did sign county warrants that paid his regular county salary.

I want to take the opportunity to explain that during the last eight years I have paid numerous extended medical leave to employees (20) in the Ambulance Authority, Sheriff's Department, Transportation Department, and in the Offices of Circuit Court Clerk, Chancery Court Clerk, Register, and Trustee. When I was elected in 2002, I asked the finance director about this practice and was told that the previous administration paid extended medical leave to employees, and I agreed to continue this practice. I will note that I have paid every request made by elected officials and administrative department heads and have never discriminated for this unwritten policy.

I recognize that the county handbook does not reflect an official policy on extended leave, but I felt that because the policy had been used numerous times by previous administrations and since I had continued the policy, that it was an executive decision. I had reported to the County Commission during work sessions (they are not recorded), and I felt the policy was valid.

Two of the employees were Sheriff's Department deputies who were wounded in the line of duty. I reported numerous times to both the County Commission and media that they would be paid.

Other employees diagnosed with life threatening, terminal illnesses, or illness requiring hospitalization and institutionalization were all paid.

As my tenure as county mayor ends, I do not want this policy to reflect negatively on my record. My practice was not secretive or discriminatory and was done by me, along with my predecessors, as a way to help employees who worked without benefits of medical insurance (until 2009) or retirement and earned low salaries, even minimum wage.

Even though I strongly disagree with the finding of the Division of County Audit, I will comply with the finding and assure that proper remittance of restitution will be made by August 31, 2010, my last day in office.

AUDITOR'S COMMENT

We reiterate the official policy in the Hancock County Employees Handbook, which states "employees who have used all of their accumulated sick leave will not receive financial compensation for additional days needed due to illness or injury. For any additional time needed, the employees will be considered on leave without pay status unless the employees have accumulated vacation time or comp time remaining." Hancock County should comply with these written policies. Officials could consider amending their policies for employees injured in the line of duty so they would not be required to use all of their accumulated leave during their recuperation but be on some type of administrative leave with pay.

FINDING 10.03 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 and the failure to correct the finding noted in the prior-year audit report.

- 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 an 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, 2010; 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 purchases are 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 10.04 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Noncompliance Under Government Auditing Standards)

System backups were not regularly stored off-site. Section 10-7-121, Tennessee Code Annotated provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the

computer system be copied daily to storage media, and media more than one week old be stored at an off-site location. 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.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.05 **THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN THE USE OF FEDERAL SPECIAL EDUCATION FUNDS PROVIDED BY THE AMERICAN RECOVERY AND REINVESTMENT ACT**
(Material Noncompliance Under Government Auditing Standards and OMB Circular A-133)

The Special Education Grant Cluster was audited as a major program during the year in compliance with OMB Circular A-133. This involved examination of federal funds allocated to the School Department and expended under the Special Education – Grants to States and the Special Education – Preschool Grants programs. The Special Education Cluster also included American Recovery and Reinvestment Act (ARRA) funds expended under the Special Education – Grants to States – Recovery Act and the Special Education – Preschool Grants – Recovery Act programs. Our objective was to determine compliance with the various requirements for federal programs outlined in OMB Circular A-133.

During the period under audit, the State of Tennessee, Department of Education, Division of Special Education conducted an ARRA fiscal monitoring review in Hancock County. Our compliance testing included examining the results of that review, which revealed the following deficiencies:

- A. The School Department had placed a notice in the local newspaper to contact and locate private and home schooled students, but the School Department had not utilized any other contact methods. Also, there was a lack of evidence of consultation with private schools and home schools regarding information about ARRA funding and the availability of additional services in fiscal year 2010 through stimulus funds. This is a violation of the matching, level of effort, and earmarking compliance requirement for federal programs under the provisions of OMB Circular A-133.
- B. Three educational assistants funded through ARRA dollars were working in settings at the middle school/high school where general student populations were served, one in the technology lab and two in the reading center. Although a small number of special education students may be involved in these schools, the

educational assistants were working with the entire classroom of which the majority was regular education students. The purpose of these educational assistants was not to serve special education students but to serve the entire population. Also, an educational assistant at the elementary school was budgeted and paid from ARRA funds to perform educational duties to assist special education students; however, the educational assistant was involved in non-educational duties for a portion of the day. This is a violation of the activities allowed or unallowed and allowable costs compliance requirements for federal programs, and resulted in questioned costs of \$33,873 under the provisions of OMB Circular A-133.

- C. The Hancock County School Department did not maintain evidence of policies and procedures to ensure the appropriate director or supervisor of each federal program had internal controls for developing and awarding contracts. This is a violation of the activities allowed or unallowed and allowable cost/cost principle compliance requirements for federal programs under the provisions of OMB Circular A-133.

It should be noted that in accordance with actions recommended by the State of Tennessee, Department of Education, Division of Special Education, the Hancock County School Department transferred \$33,873 on April 15, 2010, from the General Purpose School Fund to the School Federal Projects Fund to reimburse the Special Education – Grants to States – Recovery Act program for the questioned costs noted above.

RECOMMENDATION

The School Department should comply with and document compliance with requirements of federal award programs. Special education expenditures should be for allowable program purposes.

FINDING 10.06 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under Government Auditing Standards)

System backups were not regularly stored off-site. Section 10-7-121, Tennessee Code Annotated provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system should be copied daily to storage media, and media more than one week old should be stored at an off-site location. 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.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 10.07 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS** (Material Noncompliance Under Government Auditing Standards)

At June 30, 2010, 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 \$56,263 and \$42,903 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.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 10.08 **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.

**FINDING 10.09 HANCOCK COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS
(Internal Control – Material Weakness Under Government Auditing Standards)**

Hancock County has material audit findings that have been reported in their annual financial reports for three or more consecutive years. These recurring material findings are listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Hancock County and the Hancock County School Department do not have the resources to produce financial statements and notes to the financial statements
10.07, 09.08, 08.07	Execution docket trial balances did not reconcile with cash journal accounts in Circuit and General Sessions Courts

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Hancock County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Hancock County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Hancock County does not have 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. 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. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Hancock County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: Special Education - Grants to States Special Education - Preschool Grants Special Education - Grants to States, Recovery Act Special Education - Preschool Grants, Recovery Act	10.10	84.027 84.173 84.391 84.392	<u>Circular A-133, Compliance Supplement</u> Parts 3A., 3B., and 3G.	Noncompliance - See Finding 10.05 - the School Department had deficiencies in the use of Federal Special Education Funds provided by the American Recovery and Reinvestment Act	\$ 33,873

HANCOCK COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010

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

Director of Schools – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.05 and 10.10

Contact person: Mike Antrican

Corrective action planned: We sent certified letters to all nine homeschoolers in our district. A copy of the letter and certified mail receipts are included in our report to the state Department of Education. We corrected a budget amendment for the ARRA funds. Copies of the amendments and expenditures along with copies of the checks are in our report to the state Department of Education. Also, a new PARS was attached to the educational assistant who began receiving ARRA funds April 1, 2010. She is now working 100 percent in special education. We wrote a new policy/procedure to ensure that the director/supervisor of each federal program has internal control for developing and awarding contracts. A copy of this policy/procedure is included in our report to the state Department of Education along with a copy of the April 6, 2010, minutes from the Hancock County Board meeting approving this policy.

Anticipated completion date: 2009-10