
ANNUAL FINANCIAL REPORT HANCOCK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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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, 2011

Scope

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2011.

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 12 findings and recommendations, which we have reviewed with Hancock County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings and Best Practice

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

OFFICE OF COUNTY MAYOR

- ◆ The office had deficiencies in the purchase order system.
- ◆ Competitive bids were not solicited for mattresses purchased for the jail.
- ◆ Expenditures exceeded appropriations in several major categories and salary line-items of the General Fund.
- ◆ The office had deficiencies in computer system backup procedures.
- ◆ The office did not file a report on debt obligation with the state Comptroller's Office.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects Fund had a cash overdraft of \$55,095 at June 30, 2011.
-

OFFICE OF TRUSTEE

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

OFFICE OF SHERIFF

- ◆ Several arrestee files did not include an acknowledgment of acceptance of fingerprints by the Tennessee Bureau of Investigation.
-

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.
 - ◆ Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Court Clerk, and Clerk and Master.
 - ◆ Hancock County has a material recurring audit finding.
-

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, 2011

Officials

Thomas Harrison, County Mayor
Clem Seal, Road Superintendent
Michael Antrican, Director of Schools
Chuck Johnson, Trustee
William Seal, Assessor of Property
Jessie Royston, County Clerk
Bill McMurry, Circuit and General Sessions Courts Clerk
Judy Trent, Clerk and Master
Janie Lamb, Register
Leamon Maxey, Sheriff

Board of County Commissioners

Dean Rhea, Chairman	Sonny Lawson
Wayne Bailey	Claude Lemarr
Johnny Bunch	Junior Martin
Charles Dunsmore	John McNeil
Carlin Greene	Lincoln Nichols
Ed Gulliver	Phillip Nichols
Bobby Johnson	Gary Seal
Kenny Lamb	

Board of Education

Freddie Mullins, Chairman	Hugh Livesay
Norman Greene	Carl Reed
Dennis Holt	Jeff Stapleton
David Jones	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

August 31, 2011

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, 2011, 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, 2011, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2011, 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 August 31, 2011, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

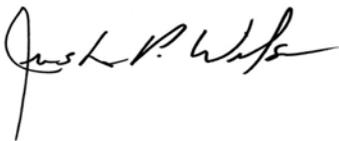
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 65 through 72 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit		
	Governmental Activities	Business-type Activities	Total		Hancock County School Department	
	\$	1,662	\$	1,662	\$	3,867
Cash and Cash Equivalents						
Equity in Pooled Cash and Investments	4,075,693	1,272,634		5,348,327		2,699,245
Accounts Receivable	770,343	193,762		964,105		223
Allowance for Uncollectibles	(319,386)	(5,813)		(325,199)		0
Due from Other Governments	365,858	0		365,858		424,352
Property Taxes Receivable	1,615,585	0		1,615,585		654,415
Allowance for Uncollectible Property Taxes	(112,579)	0		(112,579)		(45,602)
Notes Receivable - Long-term	0	0		0		13,371
Deferred Charges - Debt Issuance Cost	30,700	0		30,700		0
Capital Lease Receivable	4,960,146	0		4,960,146		0
Assets Not Depreciated:						
Land	370,174	26,350		396,524		453,150
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	1,807,187	328,360		2,135,547		11,293,322
Machinery and Equipment	414,326	0		414,326		586,286
Infrastructure	14,428,802	0		14,428,802		0
Total Assets	\$ 28,408,511	\$ 1,815,293	\$	30,223,804	\$	16,082,629

(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	\$ 264,080	\$ 14,781	\$ 278,861	\$ 41,947
Accrued Payroll	11,331	0	11,331	0
Accrued Interest Payable	136,023	0	136,023	0
Payroll Deductions Payable	47,553	12,904	60,457	0
Cash Overdraft	0	0	0	55,095
Due to the State of Tennessee	1,143	2,418	3,561	0
Other Current Liabilities	5,169	0	5,169	90,832
Deferred Revenue - Property Taxes	1,434,508	0	1,434,508	581,067
Noncurrent Liabilities:				
Due Within One Year	880,025	1,876	881,901	7,500
Due in More Than One Year	15,472,960	7,502	15,480,462	170,642
Total Liabilities	\$ 18,252,792	\$ 39,481	\$ 18,292,273	\$ 947,083
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 11,203,827	\$ 0	\$ 11,203,827	\$ 0
Invested in Capital Assets	0	354,710	354,710	12,332,758
Restricted for:				
Public Health and Welfare	82,659	0	82,659	0
Highways	875,742	0	875,742	0
Debt Service	6,425,212	0	6,425,212	0
Capital Projects	881,999	0	881,999	0
Education	0	0	0	383,463
Other	52,228	0	52,228	0
Unrestricted	(9,365,948)	1,421,102	(7,944,846)	2,419,325
Total Net Assets	\$ 10,155,719	\$ 1,775,812	\$ 11,931,531	\$ 15,155,546

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, 2011

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	Hancock County School Department		
Primary Government:											
Governmental Activities:											
General Government	\$ 565,762	\$ 22,350	\$ 294,913	\$ 0	\$ (248,499)	\$ 0	\$ (248,499)	\$ 0	0		
Finance	480,047	156,469	0	0	(323,578)	0	(323,578)	0	0		
Administration of Justice	323,201	144,978	9,000	0	(169,223)	0	(169,223)	0	0		
Public Safety	1,753,230	812,069	93,122	0	(848,039)	0	(848,039)	0	0		
Public Health and Welfare	1,051,664	895,259	37,488	220,990	102,073	0	102,073	0	0		
Social, Cultural, and Recreational Services	272,655	0	2,581	0	(270,074)	0	(270,074)	0	0		
Agriculture and Natural Resources	58,985	0	0	0	(58,985)	0	(58,985)	0	0		
Other Operations	501,140	151,844	56,674	0	(292,622)	0	(292,622)	0	0		
Highways	1,785,517	39,876	1,293,912	73,914	(377,815)	0	(377,815)	0	0		
Interest on Long-term Debt	326,431	0	0	0	(326,431)	0	(326,431)	0	0		
Debt Service	66,660	0	0	0	(66,660)	0	(66,660)	0	0		
Total Governmental Activities	\$ 7,185,292	\$ 2,222,845	\$ 1,787,690	\$ 294,904	\$ (2,879,853)	\$ 0	\$ (2,879,853)	\$ 0	0		
Business-type Activities:											
Home Health	\$ 1,836,879	\$ 2,819,145	\$ 0	\$ 0	\$ 0	\$ 982,266	\$ 982,266	\$ 0	0		
Total Business-type Activities	\$ 1,836,879	\$ 2,819,145	\$ 0	\$ 0	\$ 0	\$ 982,266	\$ 982,266	\$ 0	0		
Total Primary Government	\$ 9,022,171	\$ 5,041,990	\$ 1,787,690	\$ 294,904	\$ (2,879,853)	\$ 982,266	\$ (1,897,587)	\$ 0	0		
Component Unit:											
Hancock County School Department	\$ 10,793,265	\$ 113,268	\$ 2,558,813	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,121,184)	0		
Total Component Unit	\$ 10,793,265	\$ 113,268	\$ 2,558,813	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,121,184)	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 Governmental Business-type Activities		Total	Hancock County School Department	
					Governmental Activities	Business-type Activities			
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,422,157	\$ 0	\$ 1,422,157	\$	592,607
Property Taxes Levied for Debt Service					48,199	0	48,199		0
Local Option Sales Taxes					49,662	0	49,662		212,279
Wheel Tax					56,493	0	56,493		56,463
Litigation Tax - General					12,006	0	12,006		0
Litigation Tax - Special Purpose					4,935	0	4,935		
Litigation Tax - Jail, Workhouse, or Courthouse					7,189	0	7,189		0
Litigation Tax - Courtroom Security					935		935		
Business Tax					17,722	0	17,722		0
Wholesale Beer Tax					6,306	0	6,306		2,673
Interstate Telecommunications Tax					438	0	438		547
Grants and Contributions Not Restricted to Specific Programs					1,060,607	0	1,060,607		6,949,981
Unrestricted Investment Income					127,444	0	127,444		4,012
Miscellaneous					37,394	1,036	38,430		6,901
Gain on Disposal of Capital Assets					0	0	0		2,798
Total General Revenues					\$ 2,851,487	\$ 1,036	\$ 2,852,523	\$	7,828,261
Transfers					\$ 561,000	\$ (561,000)	\$ 0	\$	0
Change in Net Assets					\$ 532,634	\$ 422,302	\$ 954,936	\$	(292,923)
Net Assets, July 1, 2010					9,623,085	1,353,510	10,976,595		15,428,469
Net Assets, June 30, 2011					\$ 10,155,719	\$ 1,775,812	\$ 11,931,531	\$	15,135,546

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, 2011

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,662	\$ 1,662
Equity in Pooled Cash and Investments	898,106	662,324	1,546,729	968,534	4,075,693
Accounts Receivable	522,688	4,182	43,889	94	570,853
Allowance for Uncollectibles	(319,386)	0	0	0	(319,386)
Due from Other Governments	143,483	221,866	80	199,919	565,348
Due from Other Funds	1,662	0	10,223	0	11,885
Property Taxes Receivable	1,269,503	0	88,877	257,205	1,615,585
Allowance for Uncollectible Property Taxes	(89,061)	0	(4,997)	(18,521)	(112,579)
Capital Lease Receivable	0	0	4,960,146	0	4,960,146
Total Assets	\$ 2,426,995	\$ 888,372	\$ 6,644,947	\$ 1,408,893	\$ 11,369,207
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 52,847	\$ 11	\$ 2,000	\$ 209,222	\$ 264,080
Accrued Payroll	11,331	0	0	0	11,331
Payroll Deductions Payable	46,277	0	0	1,276	47,553
Due to Other Funds	10,223	0	0	1,662	11,885
Due to State of Tennessee	653	0	0	490	1,143
Other Current Liabilities	919	4,250	0	0	5,169
Deferred Revenue - Current Property Taxes	1,125,817	0	81,712	226,979	1,434,508
Deferred Revenue - Delinquent Property Taxes	53,206	0	2,112	11,401	66,719
Other Deferred Revenues	171,055	110,933	4,960,172	143	5,242,303
Total Liabilities	\$ 1,472,328	\$ 115,194	\$ 5,045,996	\$ 451,173	\$ 7,084,691
Fund Balances					
Restricted:					
Restricted for General Government	\$ 15,574	\$ 0	\$ 0	\$ 0	\$ 15,574
Restricted for Administration of Justice	13,171	0	0	0	13,171
Restricted for Public Safety	18,877	0	0	4,606	23,483
Restricted for Public Health and Welfare	0	0	0	71,115	71,115
Restricted for Highways/Public Works	0	773,178	0	0	773,178
Restricted for Debt Service	0	0	1,598,951	0	1,598,951
Restricted for Capital Projects	0	0	0	881,999	881,999
Assigned:					
Assigned for Other Purposes	458,330	0	0	0	458,330
Unassigned	448,715	0	0	0	448,715
Total Fund Balances	\$ 954,667	\$ 773,178	\$ 1,598,951	\$ 957,720	\$ 4,284,516
Total Liabilities and Fund Balances	\$ 2,426,995	\$ 888,372	\$ 6,644,947	\$ 1,408,893	\$ 11,369,207

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, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,284,516
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	370,174	
Add: buildings and improvements net of accumulated depreciation		1,807,187	
Add: machinery and equipment net of accumulated depreciation		414,326	
Add: infrastructure net of accumulated depreciation		<u>14,428,802</u>	17,020,489
(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	\$	(115,158)	
Less: other loans payable		(11,388,570)	
Less: capital leases payable		(34,606)	
Less: bonds payable		(4,695,262)	
Add: deferred charges - debt issuance costs		30,700	
Less: compensated absences payable		(47,083)	
Less: landfill closure/postclosure care costs		(72,306)	
Less: accrued interest on bonds, notes, and capital leases		<u>(136,023)</u>	(16,458,308)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>5,309,022</u>
Net assets of governmental activities (Exhibit A)		\$	<u>10,155,719</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,341,297	\$ 0	\$ 48,586	\$ 250,654	\$ 1,640,537
Licenses and Permits	1,600	0	0	0	1,600
Fines, Forfeitures, and Penalties	51,910	0	0	15,893	67,803
Charges for Current Services	956,154	0	0	2,122	958,276
Other Local Revenues	108,787	40,266	127,444	6,258	282,755
Fees Received from County Officials	251,284	0	0	0	251,284
State of Tennessee	1,091,440	1,367,826	0	325	2,459,591
Federal Government	308,050	0	0	202,990	511,040
Other Governments and Citizens Groups	296,605	0	1,021,588	0	1,318,193
Total Revenues	\$ 4,407,127	\$ 1,408,092	\$ 1,197,618	\$ 478,242	\$ 7,491,079
<u>Expenditures</u>					
Current:					
General Government	\$ 585,318	\$ 0	\$ 0	\$ 0	\$ 585,318
Finance	473,342	0	0	0	473,342
Administration of Justice	319,261	0	0	1,882	321,143
Public Safety	1,626,682	0	0	17,592	1,644,274
Public Health and Welfare	870,252	0	0	245,657	1,115,909
Social, Cultural, and Recreational Services	61,675	0	0	0	61,675
Agriculture and Natural Resources	58,503	0	0	0	58,503
Other Operations	501,068	0	0	0	501,068
Highways	0	1,289,469	0	0	1,289,469
Debt Service:					
Principal on Debt	85,541	0	777,885	0	863,426
Interest on Debt	6,526	0	327,612	0	334,138
Other Debt Service	0	0	64,460	0	64,460
Capital Projects	0	0	0	203,915	203,915
Total Expenditures	\$ 4,588,168	\$ 1,289,469	\$ 1,169,957	\$ 469,046	\$ 7,516,640
Excess (Deficiency) of Revenues Over Expenditures	\$ (181,041)	\$ 118,623	\$ 27,661	\$ 9,196	\$ (25,561)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 87,500	\$ 0	\$ 0	\$ 0	\$ 87,500
Transfers In	561,000	0	0	0	561,000
Total Other Financing Sources (Uses)	\$ 648,500	\$ 0	\$ 0	\$ 0	\$ 648,500
Net Change in Fund Balances	\$ 467,459	\$ 118,623	\$ 27,661	\$ 9,196	\$ 622,939
Fund Balance, July 1, 2010	487,208	654,555	1,571,290	948,524	3,661,577
Fund Balance, June 30, 2011	\$ 954,667	\$ 773,178	\$ 1,598,951	\$ 957,720	\$ 4,284,516

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, 2011

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)		\$ 622,939
(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	\$ 203,593	
Less: current year depreciation expense	<u>(754,146)</u>	(550,553)
(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, 2011	\$ 5,309,022	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(5,643,175)</u>	(334,153)
(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: note proceeds	\$ (87,500)	
Less: change in deferred debt issuance costs	(2,200)	
Add: principal payments on bonds	274,219	
Add: principal payments on notes	79,076	
Add: principal payments on other loans	477,000	
Add: principal payments on capital leases	<u>33,131</u>	773,726
(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	\$ 7,706	
Change in compensated absences payable	13,685	
Change in landfill closure/postclosure care costs	<u>(716)</u>	20,675
Change in net assets of governmental activities (Exhibit B)		<u>\$ 532,634</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, 2011

Business-type
 Activities -
 Major
 Enterprise
 Fund

 Home
 Health
 Fund

ASSETS

Current Assets:	
Equity in Pooled Cash and Investments	\$ 1,272,634
Accounts Receivable	193,762
Allowance for Uncollectibles	(5,813)
Total Current Assets	<u>\$ 1,460,583</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,350
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	<u>328,360</u>
Total Noncurrent Assets	<u>\$ 354,710</u>
Total Assets	<u>\$ 1,815,293</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 14,781
Payroll Deductions Payable	12,904
Due to the State of Tennessee	2,418
Current Portion of Long-term Liabilities	<u>1,876</u>
Total Current Liabilities	<u>\$ 31,979</u>
Noncurrent Liabilities:	
Due in More Than One Year	<u>\$ 7,502</u>
Total Noncurrent Liabilities	<u>\$ 7,502</u>
Total Liabilities	<u>\$ 39,481</u>

NET ASSETS

Invested in Capital Assets	\$ 354,710
Unrestricted	<u>1,421,102</u>
Net Assets	<u>\$ 1,775,812</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, 2011

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,818,117
Sale of Material and Supplies	1,028
Miscellaneous Refunds	1,036
Total Operating Revenues	<u>\$ 2,820,181</u>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 170,527
Medical Personnel	623,283
Clerical Personnel	45,525
Custodial Personnel	3,948
Other Salaries and Wages	8,022
Board and Committee Members Fees	3,000
In-service Training	379
Social Security	65,198
Employee and Dependent Insurance	45,371
Unemployment Compensation	2,511
Communication	18,693
Dues and Memberships	2,105
Operating Lease Payments	2,200
Legal Services	53,000
Legal Notices, Recording, and Court Costs	933
Licenses	4,328
Maintenance and Repair Services - Buildings	1,991
Medical and Dental Services	38,924
Print, Stationery, and Forms	1,669
Postal Charges	3,246
Rentals	6,549
Travel	91,214
Other Contracted Services	539,991
Custodial Supplies	2,254
Drugs and Medical Supplies	27,645
Electricity	3,924
General Construction Materials	90
Gasoline	174
Office Supplies	19,765
Propane Gas	220

(Continued)

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund
<u>Operating Expenses (Cont.)</u>	
<u>Cost of Sales and Services (Cont.)</u>	
Water and Sewer	\$ 1,413
Other Supplies and Materials	3,481
Liability Insurance	6,010
Refunds	3,928
Depreciation	8,560
Other Charges	6,992
Office Equipment	19,816
Total Operating Expenses	<u>\$ 1,836,879</u>
Operating Income (Loss)	<u>\$ 983,302</u>
Income (Loss) Before Transfers	\$ 983,302
Transfers Out	<u>(561,000)</u>
Change in Net Assets	\$ 422,302
Net Assets, July 1, 2010	<u>1,353,510</u>
Net Assets, June 30, 2011	<u>\$ 1,775,812</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 Fund
For the Year Ended June 30, 2011

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,895,783
Payments to Employees and Board Members	(855,230)
Payments for Fringe Benefits	(102,496)
Payments to Suppliers	(856,632)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,081,425</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to Other Funds	\$ (561,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (561,000)</u>
Increase (Decrease) in Cash	\$ 520,425
Cash, July 1, 2010	<u>752,209</u>
Cash, June 30, 2011	<u><u>\$ 1,272,634</u></u>

(Continued)

Exhibit D-3

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

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 983,302
Adjustments to Reconcile Net Operating Income (Loss)	
to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	8,560
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	102,476
Increase (Decrease) in Allowance for Uncollectibles	(3,353)
Increase (Decrease) in Accounts Payable and Other Current Liabilities	(8,635)
Increase (Decrease) in Compensated Absences	<u>(925)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,081,425</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Equity in Pooled Cash and Investments per Net Assets	<u>\$ 1,272,634</u>
Cash, June 30, 2011	<u>\$ 1,272,634</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 415,484
Equity in Pooled Cash and Investments	261,782
Accounts Receivable	4,438
Due from Other Governments	26,441
Prepaid Items	<u>2,544</u>
Total Assets	<u><u>\$ 710,689</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 539
Due to Other Taxing Units	294,666
Due to Litigants, Heirs, and Others	<u>415,484</u>
Total Liabilities	<u><u>\$ 710,689</u></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, 2011

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 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 special revenue fund accounts for transactions of the county’s Highway Department. State gasoline tax is the foundational revenue of this fund.

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 Funds – These funds are used to account for financial resources to be used in the acquisition or construction of capital assets.

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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Additionally, the Hancock County School Department reports the following fund type:

Special Revenue Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools. Federal revenues and charges for services are the foundational revenues for this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when

expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 3.8 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 \$15,000 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, 2011.

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 and business-type columns 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 \$52,228, with the primary restrictions being for computer systems for various offices (\$23,104), courthouse and jail maintenance (\$16,852), and drug control (\$4,606). For the discretely presented School Department, the account balance in Restricted for State and Federal Assistance Programs consists of various restrictions totaling \$383,463, with the primary restriction being for the school lunch and breakfast programs (\$328,244).

As of June 30, 2011, Hancock County had \$10,390,258 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of

decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements).

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

Assigned for other purposes in the General Fund represents the amount of fund balance appropriated for expenditure in the 2011 – 2012 budget.

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

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the 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.

B. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$55,095 at June 30, 2011. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2011.

C. **Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
General Sessions Court Clerk	\$ 1,588
Sheriff's Department	10,457
Other Emergency Management	3,235
Alcohol and Drug Program	148
Sanitation Education/Information	1,154
Veteran's Service	396

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the General Fund.

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 fair value of the securities on the day of purchase.

The county had no pooled or nonpooled investments as of June 30, 2011.

B. Lease Receivable/Long-term Note Receivable

Primary Government

The General Debt Service Fund had a lease receivable totaling \$4,960,146 at June 30, 2011. 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 7-1-10	Retired	Balance 6-30-11
Hospital Bond (A)	\$ 4,560,000	\$ 240,000	\$ 4,320,000
Hospital Bond (B)	120,000	30,000	90,000
Other Loans	577,550	27,404	550,146
Total	\$ 5,257,550	\$ 297,404	\$ 4,960,146

In the financial statements of the General Debt Service Fund, revenues of \$564,471 have been recognized from Wellmont during the year. This amount includes \$530,916 in current payments under the agreement and \$33,555 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. Two employees did not complete the requirements of the program. Therefore, the financial statements of the General Purpose School Fund reflect a long-term note receivable of \$13,371 on June 30, 2011. The amount of notes receivable expected to be received within one year has not been determined. Therefore, the entire balance is offset by deferred revenue.

C. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Depreciated:				
Land	\$ 370,174	\$ 0	\$ 0	\$ 370,174
Construction in Progress	99,457	74,331	173,788	0
Total Capital Assets				
Not Depreciated	\$ 469,631	\$ 74,331	\$ 173,788	\$ 370,174
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,432,120	\$ 23,465	\$ 0	\$ 3,455,585
Machinery and Equipment	2,378,635	118,830	52,000	2,445,465
Infrastructure	21,242,160	160,755	0	21,402,915
Total Capital Assets				
Depreciated	\$ 27,052,915	\$ 303,050	\$ 52,000	\$ 27,303,965
Less Accumulated				
Depreciation For:				
Buildings and Improvements	\$ 1,562,008	\$ 86,390	\$ 0	\$ 1,648,398
Machinery and Equipment	1,949,073	134,066	52,000	2,031,139
Infrastructure	6,440,423	533,690	0	6,974,113
Total Accumulated				
Depreciation	\$ 9,951,504	\$ 754,146	\$ 52,000	\$ 10,653,650
Total Capital Assets				
Depreciated, Net	\$ 17,101,411	\$ (451,096)	\$ 0	\$ 16,650,315
Governmental Activities				
Capital Assets, Net	\$ 17,571,042	\$ (376,765)	\$ 173,788	\$ 17,020,489

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

Governmental Activities:

General Government	\$	8,575
Finance		1,664
Public Safety		97,911
Public Health and Welfare		44,774
Social, Cultural, and Recreational Services		6,500
Agriculture and Natural Resources		482
Other Operations		36,255
Highway/Public Works		<u>557,985</u>

Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>754,146</u>
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Business-type Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 26,350	\$ 0	\$ 26,350
Total Capital Assets Not Depreciated	<u>\$ 26,350</u>	<u>\$ 0</u>	<u>\$ 26,350</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 342,466	\$ 0	\$ 342,466
Total Capital Assets Depreciated	<u>\$ 342,466</u>	<u>\$ 0</u>	<u>\$ 342,466</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 5,546	\$ 8,560	\$ 14,106
Total Accumulated Depreciation	<u>\$ 5,546</u>	<u>\$ 8,560</u>	<u>\$ 14,106</u>
Total Capital Assets Depreciated, Net	<u>\$ 336,920</u>	<u>\$ (8,560)</u>	<u>\$ 328,360</u>
Business-type Activities Capital Assets, Net	<u>\$ 363,270</u>	<u>\$ (8,560)</u>	<u>\$ 354,710</u>

Depreciation expense totaling \$8,560 was charged to the Other Enterprise Fund.

Discretely Presented Hancock County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Construction in Progress	0	0	0	0
Total Capital Assets Not Depreciated	\$ 453,150	\$ 0	\$ 0	\$ 453,150
 Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,573,433	\$ 0	\$ 0	\$ 15,573,433
Machinery and Equipment	1,562,140	20,856	51,700	1,531,296
Total Capital Assets Depreciated	\$ 17,135,573	\$ 20,856	\$ 51,700	\$ 17,104,729
 Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,865,042	\$ 415,069	\$ 0	\$ 4,280,111
Machinery and Equipment	887,625	107,535	50,150	945,010
Total Accumulated Depreciation	\$ 4,752,667	\$ 522,604	\$ 50,150	\$ 5,225,121
 Total Capital Assets Depreciated, Net	\$ 12,382,906	\$ (501,748)	\$ 1,550	\$ 11,879,608
 Governmental Activities Capital Assets, Net	\$ 12,836,056	\$ (501,748)	\$ 1,550	\$ 12,332,758

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

Governmental Activities:

Instruction	\$	415,069
Support Services		102,147
Operation of Non-Instructional Services		<u>5,388</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>522,604</u></u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,662
General Debt Service	General	10,223

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Primary Government

	<u>Transfer In</u>
<u>Transfer Out</u>	General Fund
Home Health Fund	\$ 561,000

Discretely Presented Hancock County School Department

	<u>Transfer In</u>
<u>Transfer Out</u>	General Purpose School Fund
School Federal Projects Fund	\$ 12,841

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

E. Capital Lease

On 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.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	\$ 135,602
Less: Accumulated Depreciation	<u>(69,841)</u>
Total Book Value	<u><u>\$ 65,761</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Governmental Funds
2012	<u>\$ 36,146</u>
Total Minimum Lease Payments	\$ 36,146
Less: Amount Representing Interest	<u>(1,540)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 34,606</u></u>

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to three years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2011, 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, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	4.25 to 5.6%	\$ 6,610,000	\$ 4,695,262
Capital Outlay Notes	3.76 to 4.74	167,500	115,158
Other Loans	Variable	14,595,000	11,388,570
Capital Leases	4.45	135,602	34,606

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, 2011, the variable interest rate and other fees are included in the following table:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-11	Interest Type	Interest Rates as of 6-30-11	Other Fees on Variable Rate Debt
<u>Montgomery County Public</u>					
<u>Building Authority</u>					
School Construction					
Loan Program	\$ 12,000,000	\$ 9,890,000	Variable	.37%	0.44%
Refunding Issue					
Loan Program	945,000	448,000	Variable	.27	0.81
School Construction and Hospital Equipment					
Loan Program	1,650,000	<u>1,050,570</u>	Variable	.27	0.68
Total		<u>\$ 11,388,570</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2021	1,230,054	805,285	2,035,339
2022-2026	1,237,460	457,213	1,694,673
2027-2031	766,702	120,483	887,185
2032-2036	58,107	27,320	85,427
2037-2041	45,265	15,375	60,640
2042-2045	43,556	4,773	48,329
Total	<u>\$ 4,695,262</u>	<u>\$ 2,590,885</u>	<u>\$ 7,286,147</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 56,825	\$ 5,150	\$ 61,975
2013	29,167	2,765	31,932
2014	29,166	1,383	30,549
Total	<u>\$ 115,158</u>	<u>\$ 9,298</u>	<u>\$ 124,456</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2012	\$ 501,000	\$ 40,639	\$ 54,279	\$ 595,918
2013	524,000	38,906	51,697	614,603
2014	559,000	37,092	49,005	645,097
2015	613,000	35,152	46,143	694,295
2016	638,000	33,017	43,030	714,047
2017-2021	3,393,000	130,517	167,248	3,690,765
2022-2026	4,193,000	64,167	81,977	4,339,144
2027-2028	967,570	3,538	4,632	975,740
Total	<u>\$ 11,388,570</u>	<u>\$ 383,028</u>	<u>\$ 498,011</u>	<u>\$ 12,269,609</u>

There is \$1,598,951 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$689, based on the 2010 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$2,381, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2010	\$ 4,969,481	\$ 106,734	\$ 67,737
Additions	0	87,500	0
Deductions	(274,219)	(79,076)	(33,131)
Balance, June 30, 2011	<u>\$ 4,695,262</u>	<u>\$ 115,158</u>	<u>\$ 34,606</u>
Balance Due Within One Year	<u>\$ 274,409</u>	<u>\$ 56,825</u>	<u>\$ 34,606</u>

Governmental Activities (Cont.):

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2010	\$ 71,590	\$ 11,865,570	\$ 60,768
Additions	4,439	0	9,655
Deductions	(3,723)	(477,000)	(23,340)
Balance, June 30, 2011	<u>\$ 72,306</u>	<u>\$ 11,388,570</u>	<u>\$ 47,083</u>
Balance Due Within One Year	<u>\$ 3,768</u>	<u>\$ 501,000</u>	<u>\$ 9,417</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 16,352,985
Less: Balance Due Within One Year	<u>(880,025)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,472,960</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, 2011, was as follows:

Business-type Activities:

	Compensated Absences
Balance, July 1, 2010	\$ 10,303
Additions	1,136
Deductions	<u>(2,061)</u>
Balance, June 30, 2011	<u>\$ 9,378</u>
Balance Due Within One Year	<u>\$ 1,876</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, 2011, was as follows:

	Other Postemployment Benefits	Claims and Judgments Payable
Balance, July 1, 2010	\$ 117,505	\$ 22,500
Additions	76,279	0
Deductions	(30,642)	(7,500)
	<hr/>	<hr/>
Balance, June 30, 2011	\$ 163,142	\$ 15,000
	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 0	\$ 7,500
	<hr/> <hr/>	<hr/> <hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 178,142
Less: Balance Due Within One Year	<u>(7,500)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 170,642</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, 2011, will be retired from the General Purpose School Fund.

G. Pledges of Future Revenues

The Board of Education pledged, by resolution, a minimum of \$541,000 per year for the next 16 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 \$452,160 to the General Debt Service Fund.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement

Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$8,827 and \$26,859, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Hancock County issued tax anticipation notes to provide temporary operating funds for the General Fund. These notes were necessary because the cash balance was not sufficient to meet current operations. Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Issued	Paid	Balance 6-30-11
Tax Anticipation Notes	\$ 0	\$ 250,000	\$ (250,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Hancock County purchases commercial insurance for general liability on county assets. However, except as discussed in the following paragraph, Hancock County does not maintain workers' compensation or insurance coverage on county buildings and their contents. Hancock County provides commercial health insurance for its employees. The current health insurance plan does not allow retirees to participate.

The Hancock County Emergency Medical Services Department has purchased commercial insurance 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.

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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Hancock County and the Hancock County School Department have implemented provisions of this statement in the financial statements of this report for its governmental funds.

C. Subsequent Event

Subsequent to June 30, 2011, Hancock County approved a capital outlay note for purchase of property not to exceed \$165,000 and two percent interest.

D. Changes in Administration

The following table lists administration changes as of August 31, 2010:

Departing 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

E. 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 \$72,306 reported as postclosure liability at June 30, 2011, represents amounts based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Venture

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District; Greene, Hamblen, Hancock, and Hawkins counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hancock County made no contributions to the DTF for the year ended June 30, 2011, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

G. Jointly Governed Organization

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.

H. 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 *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 their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 7.28 percent of annual covered payroll. The contribution requirement of

plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county’s annual pension cost of \$40,924 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 2.5 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 ten-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, 2009, was 20 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
6-30-11	\$ 40,924	100%	\$ 0
6-30-10	40,042	100	0
6-30-09	39,880	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 \$2 million, and the actuarial value of assets was \$1 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 56.72 percent.

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 values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

SCHOOL TEACHERS

Plan Description

The Hancock County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. 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 salary 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, 2011, was 9.05 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, 2011, 2010, and 2009 were \$433,048, \$302,789, and \$292,149, respectively, equal to the required contributions for each year.

I. 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*. In previous years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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 School Department'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	\$ 76,000
Interest on the NPO	5,288
Adjustment to the ARC	(5,009)
Annual OPEB cost	<hr/> \$ 76,279
Amount of contribution	(30,642)
Increase/decrease in NPO	<hr/> \$ 45,637
Net OPEB obligation, 7-1-10	<hr/> 117,505
	<hr/>
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 163,142

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 51,765	23%	\$ 75,254
6-30-10	"	73,178	42	117,505
6-30-11	"	76,279	40	163,142

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 692,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 692,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,712,325
UAAL as a % of covered payroll	14.68%

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, 2010, actuarial valuation for the Local Education Group 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 ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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.

J. 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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 1,341,297	\$ 0	\$ 1,341,297	\$ 1,327,800	\$ 1,327,800	\$ 13,497
Licenses and Permits	1,600	0	1,600	0	0	1,600
Fines, Forfeitures, and Penalties	51,910	0	51,910	39,000	39,000	12,910
Charges for Current Services	956,154	0	956,154	636,710	710,760	245,394
Other Local Revenues	108,787	0	108,787	47,829	47,829	60,958
Fees Received from County Officials	251,284	0	251,284	214,000	214,000	37,284
State of Tennessee	1,091,440	0	1,091,440	1,354,734	1,354,734	(263,294)
Federal Government	308,050	0	308,050	329,796	217,796	90,254
Other Governments and Citizens Groups	296,605	0	296,605	65,000	195,000	101,605
Total Revenues	\$ 4,407,127	\$ 0	\$ 4,407,127	\$ 4,014,869	\$ 4,106,919	\$ 300,208
Expenditures						
General Government						
County Commission	\$ 69,197	\$ 0	\$ 69,197	\$ 89,600	\$ 90,700	\$ 21,503
Board of Equalization	900	0	900	1,000	1,000	100
County Mayor/Executive	137,667	0	137,667	144,960	152,119	14,452
County Attorney	15,000	0	15,000	15,000	15,000	0
Election Commission	86,901	(100)	86,801	92,646	92,647	5,846
Register of Deeds	97,580	0	97,580	97,854	105,054	7,474
County Buildings	178,073	(250)	177,823	152,000	178,949	1,126
Finance						
Purchasing	68,328	0	68,328	69,900	70,096	1,768
Property Assessor's Office	102,201	0	102,201	97,151	105,934	3,733
Reappraisal Program	22,420	0	22,420	30,760	31,260	8,840
County Trustee's Office	107,487	0	107,487	105,779	114,975	7,488

(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 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 123,307	\$ 0	\$ 123,307	\$ 119,726	\$ 123,926	\$ 619
Other Finance	49,599	0	49,599	52,000	52,000	2,401
<u>Administration of Justice</u>						
Circuit Court	139,736	0	139,736	153,451	167,652	27,916
General Sessions Court	72,273	0	72,273	70,685	70,685	(1,588)
Chancery Court	97,262	0	97,262	95,243	98,843	1,581
District Attorney General	9,990	0	9,990	16,000	16,000	6,010
<u>Public Safety</u>						
Sheriff's Department	535,258	(1,000)	534,258	489,684	523,801	(10,457)
Jail	920,557	(660)	919,897	787,881	950,904	31,007
Juvenile Services	53,763	0	53,763	56,990	56,990	3,227
Commissary	44,185	(2,000)	42,185	51,774	51,774	9,589
Civil Defense	32,968	0	32,968	40,700	40,700	7,732
Rescue Squad	1,361	0	1,361	1,400	1,400	39
Other Emergency Management	3,235	0	3,235	0	0	(3,235)
County Coroner/Medical Examiner	15,000	0	15,000	15,000	15,000	0
Other Public Safety	20,355	0	20,355	6,700	53,552	33,197
<u>Public Health and Welfare</u>						
Local Health Center	53,643	0	53,643	58,596	58,596	4,953
Ambulance/Emergency Medical Services	782,562	0	782,562	690,334	800,235	17,673
Alcohol and Drug Programs	1,175	0	1,175	1,027	1,027	(148)
Crippled Children Services	415	0	415	415	415	0
Other Local Health Services	4,789	0	4,789	19,800	19,800	15,011
Sanitation Management	26,426	0	26,426	29,237	29,237	2,811

(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 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Sanitation Education/Information	\$ 1,154	\$ 0	\$ 1,154	\$ 0	\$ 0	(1,154)
Other Public Health and Welfare	88	0	88	9,494	9,494	9,406
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	6,134	0	6,134	7,800	7,800	1,666
Libraries	55,541	0	55,541	55,020	58,570	3,029
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	39,948	0	39,948	49,930	49,930	9,982
Soil Conservation	18,555	0	18,555	19,440	19,440	885
<u>Other Operations</u>						
Public Transportation	324,883	(32,030)	292,853	286,346	301,439	8,586
Veterans' Services	7,876	0	7,876	7,480	7,480	(396)
Other Charges	129,370	0	129,370	0	130,000	630
Employee Benefits	38,939	0	38,939	439,200	256,296	217,357
ARRA Grant # 1	0	0	0	130,000	0	0
<u>Principal on Debt</u>						
General Government	85,541	0	85,541	94,366	86,428	887
<u>Interest on Debt</u>						
General Government	6,526	0	6,526	0	7,938	1,412
Total Expenditures	\$ 4,588,168	\$ (36,040)	\$ 4,552,128	\$ 4,752,369	\$ 5,025,086	\$ 472,958
Excess (Deficiency) of Revenues Over Expenditures	\$ (181,041)	\$ 36,040	\$ (145,001)	\$ (737,500)	\$ (918,167)	\$ 773,166

(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 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 87,500 \$	0 \$	87,500 \$	87,500 \$	87,500 \$	0
Transfers In	561,000	0	561,000	650,000	650,000	(89,000)
Total Other Financing Sources (Uses)	\$ 648,500 \$	0 \$	648,500 \$	737,500 \$	737,500 \$	(89,000)
Net Change in Fund Balance	\$ 467,459 \$	36,040 \$	503,499 \$	0 \$	(180,667) \$	684,166
Fund Balance, July 1, 2010	487,208	(36,040)	451,168	487,208	487,208	(36,040)
Fund Balance, June 30, 2011	\$ 954,667 \$	0 \$	954,667 \$	487,208 \$	306,541 \$	648,126

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 40,266 \$	0 \$	40,266 \$	0 \$	0 \$	40,266
State of Tennessee	1,367,826	0	1,367,826	1,302,338	1,302,338	65,488
Total Revenues	\$ 1,408,092 \$	0 \$	1,408,092 \$	1,302,338 \$	1,302,338 \$	105,754
<u>Expenditures</u>						
<u>Finance</u>						
Data Processing	\$ 0 \$	0 \$	0 \$	6,000 \$	0 \$	0
<u>Highways</u>						
Administration	426,632	0	426,632	472,351	469,351	42,719
Highway and Bridge Maintenance	473,261	0	473,261	944,035	954,035	480,774
Operation and Maintenance of Equipment	140,704	0	140,704	119,240	143,241	2,537
Other Charges	60,596	0	60,596	61,952	71,952	11,356
Employee Benefits	111,628	0	111,628	112,463	117,463	5,835
Capital Outlay	76,648	(74,275)	2,373	128,170	88,170	85,797
Total Expenditures	\$ 1,289,469 \$	(74,275) \$	1,215,194 \$	1,844,211 \$	1,844,212 \$	629,018
Excess (Deficiency) of Revenues Over Expenditures	\$ 118,623 \$	74,275 \$	192,898 \$	(541,873) \$	(541,874) \$	734,772
Net Change in Fund Balance	\$ 118,623 \$	74,275 \$	192,898 \$	(541,873) \$	(541,874) \$	734,772
Fund Balance, July 1, 2010	654,555	(74,275)	580,280	541,873	541,874	38,406
Fund Balance, June 30, 2011	\$ 773,178 \$	0 \$	773,178 \$	0 \$	0 \$	773,178

Exhibit F-3

Hancock County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hancock County School Department
June 30, 2011

(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, 2011

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
7-1-10	0	692	692	0	4,712	15

HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the 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.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
General Sessions Court Clerk	\$ 1,588
Sheriff's Department	10,457
Other Emergency Management	3,235
Alcohol and Drug Program	148
Sanitation Education/Information	1,154
Veteran's Service	396

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the General Fund.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the construction and equipping of the county hospital.

Exhibit G-1

Hancock County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	General Capital Projects	Other Capital Projects	Total	
\$	0	0	1,662	0	0	0	1,662
Equity in Pooled Cash and Investments	83,174	4,606	0	87,780	880,754	880,754	968,534
Accounts Receivable	94	0	0	94	0	0	94
Due from Other Governments	429	0	0	429	199,490	0	199,919
Property Taxes Receivable	257,205	0	0	257,205	0	0	257,205
Allowance for Uncollectible Property Taxes	(18,521)	0	0	(18,521)	0	0	(18,521)
Total Assets	\$ 322,381	\$ 4,606	\$ 1,662	\$ 328,649	\$ 199,490	\$ 880,754	\$ 1,408,893

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

Restricted:
 Restricted for Public Safety
 Restricted for Public Health and Welfare
 Restricted for Capital Projects
 Total Fund Balances

Total Liabilities and Fund Balances

\$	10,977	0	0	10,977	198,245	0	198,245	209,222
1,276	0	0	1,276	0	0	0	1,276	1,662
0	490	0	1,662	0	0	0	1,662	490
226,979	0	0	490	0	0	0	490	226,979
11,401	0	0	226,979	0	0	0	226,979	11,401
143	0	0	11,401	0	0	0	11,401	143
\$ 251,266	\$ 0	\$ 0	\$ 1,662	\$ 252,928	\$ 198,245	\$ 0	\$ 198,245	\$ 451,173
\$	0	4,606	0	4,606	0	0	4,606	71,115
71,115	0	0	71,115	0	0	0	71,115	881,999
0	0	0	0	1,245	880,754	881,999	881,999	957,720
\$ 71,115	\$ 4,606	\$ 0	\$ 75,721	\$ 1,245	\$ 880,754	\$ 881,999	\$ 957,720	
\$ 322,381	\$ 4,606	\$ 1,662	\$ 328,649	\$ 199,490	\$ 880,754	\$ 1,080,244	\$ 1,408,893	

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, 2011

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	
Revenues							
Local Taxes	\$ 250,654	\$ 0	\$ 0	\$ 250,654	\$ 0	\$ 0	\$ 250,654
Fines, Forfeitures, and Penalties	0	15,893	0	15,893	0	0	15,893
Charges for Current Services	240	0	1,882	2,122	0	0	2,122
Other Local Revenues	5,058	0	0	5,058	1,200	0	6,258
State of Tennessee	325	0	0	325	0	0	325
Federal Government	0	0	0	0	202,990	0	202,990
Total Revenues	\$ 256,277	\$ 15,893	\$ 1,882	\$ 274,052	\$ 204,190	\$ 0	\$ 478,242
Expenditures							
Current:							
Administration of Justice	\$ 0	\$ 0	\$ 1,882	\$ 1,882	\$ 0	\$ 0	\$ 1,882
Public Safety	0	17,592	0	17,592	0	0	17,592
Public Health and Welfare	245,657	0	0	245,657	0	0	245,657
Capital Projects	0	0	0	0	202,945	970	203,915
Total Expenditures	\$ 245,657	\$ 17,592	\$ 1,882	\$ 265,131	\$ 202,945	\$ 970	\$ 469,046
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,620	\$ (1,699)	\$ 0	\$ 8,921	\$ 1,245	\$ (970)	\$ 9,196
Net Change in Fund Balances	\$ 10,620	\$ (1,699)	\$ 0	\$ 8,921	\$ 1,245	\$ (970)	\$ 9,196
Fund Balance, July 1, 2010	60,495	6,305	0	66,800	0	881,724	948,524
Fund Balance, June 30, 2011	\$ 71,115	\$ 4,606	\$ 0	\$ 75,721	\$ 1,245	\$ 880,754	\$ 957,720

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 250,654	\$ 0	\$ 250,654	\$ 246,400	\$ 246,400	\$ 4,254
Charges for Current Services	240	0	240	1,000	1,000	(760)
Other Local Revenues	5,058	0	5,058	0	0	5,058
State of Tennessee	325	0	325	0	0	325
Total Revenues	\$ 256,277	\$ 0	\$ 256,277	\$ 247,400	\$ 247,400	\$ 8,877
<u>Expenditures</u>						
Public Health and Welfare						
Sanitation Management	\$ 245,657	(35)	\$ 245,622	\$ 303,200	\$ 303,200	\$ 57,578
Total Expenditures	\$ 245,657	(35)	\$ 245,622	\$ 303,200	\$ 303,200	\$ 57,578
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,620	\$ 35	\$ 10,655	\$ (55,800)	\$ (55,800)	\$ 66,455
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ (20,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ (20,000)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 10,620	\$ 35	\$ 10,655	\$ (35,800)	\$ (35,800)	\$ 46,455
	60,495	(35)	60,460	60,460	60,460	0
Fund Balance, June 30, 2011	\$ 71,115	\$ 0	\$ 71,115	\$ 24,660	\$ 24,660	\$ 46,455

Exhibit G-4

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 15,893	\$ 0	\$ 14,000	\$ 1,893
Total Revenues	\$ 15,893	\$ 0	\$ 14,000	\$ 1,893
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,592	\$ 1,428	\$ 17,592	\$ 0
Total Expenditures	\$ 17,592	\$ 1,428	\$ 17,592	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,699)	\$ (1,428)	\$ (3,592)	\$ 1,893
Net Change in Fund Balance	\$ (1,699)	\$ (1,428)	\$ (3,592)	\$ 1,893
Fund Balance, July 1, 2010	6,305	1,428	3,592	2,713
Fund Balance, June 30, 2011	\$ 4,606	\$ 0	\$ 0	\$ 4,606

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 48,586	\$ 45,400	\$ 45,400	\$ 3,186
Other Local Revenues	127,444	125,000	125,000	2,444
State of Tennessee	0	200	200	(200)
Other Governments and Citizens Groups	1,021,588	1,165,958	1,165,958	(144,370)
Total Revenues	\$ 1,197,618	\$ 1,336,558	\$ 1,336,558	\$ (138,940)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 393,289	\$ 393,411	\$ 393,411	\$ 122
Education	384,596	384,600	384,600	4
<u>Interest on Debt</u>				
General Government	278,941	284,957	284,957	6,016
Education	48,671	180,000	180,000	131,329
<u>Other Debt Service</u>				
General Government	15,464	23,000	23,000	7,536
Education	48,996	71,700	71,700	22,704
Total Expenditures	\$ 1,169,957	\$ 1,337,668	\$ 1,337,668	\$ 167,711
Excess (Deficiency) of Revenues Over Expenditures	\$ 27,661	\$ (1,110)	\$ (1,110)	\$ 28,771
Net Change in Fund Balance	\$ 27,661	\$ (1,110)	\$ (1,110)	\$ 28,771
Fund Balance, July 1, 2010	1,571,290	1,571,290	1,571,290	0
Fund Balance, June 30, 2011	\$ 1,598,951	\$ 1,570,180	\$ 1,570,180	\$ 28,771

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, 2011

	<u>Agency Funds</u>			
	Cities -	Constitu-	Other	Total
	Sales	tional	Agency	
	Tax	Officers -	Agency	
		Agency		
<u>ASSETS</u>				
Cash	\$ 0	\$ 415,484	\$ 0	\$ 415,484
Equity in Pooled Cash and Investments	0	0	261,782	261,782
Accounts Receivable	0	0	4,438	4,438
Due from Other Governments	26,441	0	0	26,441
Prepaid Items	0	0	2,544	2,544
Total Assets	<u>\$ 26,441</u>	<u>\$ 415,484</u>	<u>\$ 268,764</u>	<u>\$ 710,689</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 539	\$ 539
Due to Other Taxing Units	26,441	0	268,225	294,666
Due to Litigants, Heirs, and Others	0	415,484	0	415,484
Total Liabilities	<u>\$ 26,441</u>	<u>\$ 415,484</u>	<u>\$ 268,764</u>	<u>\$ 710,689</u>

Exhibit I-2

Hancock County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 158,099	\$ 158,099	\$ 0
Due from Other Governments	27,041	26,441	27,041	26,441
Total Assets	\$ 27,041	\$ 184,540	\$ 185,140	\$ 26,441
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,041	\$ 184,540	\$ 185,140	\$ 26,441
Total Liabilities	\$ 27,041	\$ 184,540	\$ 185,140	\$ 26,441
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 405,576	\$ 900,816	\$ 890,908	\$ 415,484
Total Assets	\$ 405,576	\$ 900,816	\$ 890,908	\$ 415,484
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 405,576	\$ 900,816	\$ 890,908	\$ 415,484
Total Liabilities	\$ 405,576	\$ 900,816	\$ 890,908	\$ 415,484
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 198,702	\$ 218,169	\$ 155,089	\$ 261,782
Accounts Receivable	4,723	4,438	4,723	4,438
Prepaid Items	2,499	2,544	2,499	2,544
Total Assets	\$ 205,924	\$ 225,151	\$ 162,311	\$ 268,764
<u>Liabilities</u>				
Accounts Payable	\$ 4,149	\$ 539	\$ 4,149	\$ 539
Due to Other Taxing Units	201,775	224,612	158,162	268,225
Total Liabilities	\$ 205,924	\$ 225,151	\$ 162,311	\$ 268,764

(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	\$ 405,576	\$ 900,816	\$ 890,908	\$ 415,484
Equity in Pooled Cash and Investments	198,702	376,268	313,188	261,782
Accounts Receivable	4,723	4,438	4,723	4,438
Due from Other Governments	27,041	26,441	27,041	26,441
Prepaid Items	2,499	2,544	2,499	2,544
Total Assets	<u>\$ 638,541</u>	<u>\$ 1,310,507</u>	<u>\$ 1,238,359</u>	<u>\$ 710,689</u>
<u>Liabilities</u>				
Accounts Payable	\$ 4,149	\$ 539	\$ 4,149	\$ 539
Due to Other Taxing Units	228,816	409,152	343,302	294,666
Due to Litigants, Heirs, and Others	405,576	900,816	890,908	415,484
Total Liabilities	<u>\$ 638,541</u>	<u>\$ 1,310,507</u>	<u>\$ 1,238,359</u>	<u>\$ 710,689</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, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,710,871	\$ 600	\$ 772,044	\$ (4,938,227)
Support Services	3,083,713	0	348,215	(2,735,498)
Operation of Non-Instructional Services	1,546,521	112,668	1,438,554	4,701
Other Debt Service	452,160	0	0	(452,160)
Total Governmental Activities	\$ 10,793,265	\$ 113,268	\$ 2,558,813	\$ (8,121,184)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$	592,607
Local Option Sales Taxes				212,279
Wheel Tax				56,463
Wholesale Beer Tax				2,673
Interstate Telecommunications Tax				547
Grants and Contributions Not Restricted for Specific Programs				6,949,981
Unrestricted Investment Income				4,012
Miscellaneous				6,901
Gain on Sale of Capital Assets				2,798
Total General Revenues				\$ 7,828,261
Change in Net Assets				\$ (292,923)
Net Assets, July 1, 2010				15,428,469
Net Assets, June 30, 2011				\$ 15,135,546

Exhibit J-2

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hancock County School Department
June 30, 2011

	Major Funds		Nonmajor	Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria Fund	
<u>ASSETS</u>				
Cash	\$ 817	\$ 0	\$ 3,050	\$ 3,867
Equity in Pooled Cash and Investments	2,420,545	0	278,700	2,699,245
Accounts Receivable	223	0	0	223
Due from Other Governments	229,529	145,742	49,081	424,352
Property Taxes Receivable	654,415	0	0	654,415
Allowance for Uncollectible Property Taxes	(45,602)	0	0	(45,602)
Notes Receivable - Long-term	13,371	0	0	13,371
Total Assets	<u>\$ 3,273,298</u>	<u>\$ 145,742</u>	<u>\$ 330,831</u>	<u>\$ 3,749,871</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 36,625	\$ 2,735	\$ 2,587	\$ 41,947
Cash Overdraft	0	55,095	0	55,095
Other Current Liabilities	90,832	0	0	90,832
Deferred Revenue - Current Property Taxes	581,067	0	0	581,067
Deferred Revenue - Delinquent Property Taxes	27,025	0	0	27,025
Other Deferred Revenues	31,482	0	0	31,482
Total Liabilities	<u>\$ 767,031</u>	<u>\$ 57,830</u>	<u>\$ 2,587</u>	<u>\$ 827,448</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 47,307	\$ 7,912	\$ 328,244	\$ 383,463
Assigned:				
Assigned for Education	0	80,000	0	80,000
Assigned for Debt Service	655,664	0	0	655,664
Assigned for Capital Projects	654,128	0	0	654,128
Unassigned	1,149,168	0	0	1,149,168
Total Fund Balances	<u>\$ 2,506,267</u>	<u>\$ 87,912</u>	<u>\$ 328,244</u>	<u>\$ 2,922,423</u>
Total Liabilities and Fund Balances	<u>\$ 3,273,298</u>	<u>\$ 145,742</u>	<u>\$ 330,831</u>	<u>\$ 3,749,871</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, 2011

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)		\$	2,922,423
(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		11,293,322	
Add: machinery and equipment net of accumulated depreciation		<u>586,286</u>	12,332,758
(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	\$	(15,000)	
Less: other postemployment benefits liability		<u>(163,142)</u>	(178,142)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>58,507</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 15,135,546</u></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, 2011

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 867,148	\$ 0	\$ 0	\$ 867,148
Licenses and Permits	475	0	0	475
Charges for Current Services	0	0	112,668	112,668
Other Local Revenues	60,583	0	3,944	64,527
State of Tennessee	7,122,013	0	7,130	7,129,143
Federal Government	50,549	1,716,570	561,215	2,328,334
Total Revenues	<u>\$ 8,100,768</u>	<u>\$ 1,716,570</u>	<u>\$ 684,957</u>	<u>\$ 10,502,295</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,136,393	\$ 1,113,772	\$ 0	\$ 5,250,165
Support Services	2,601,361	408,561	0	3,009,922
Operation of Non-Instructional Services	710,486	181,300	649,347	1,541,133
Debt Service:				
Other Debt Service	452,160	0	0	452,160
Total Expenditures	<u>\$ 7,900,400</u>	<u>\$ 1,703,633</u>	<u>\$ 649,347</u>	<u>\$ 10,253,380</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 200,368	\$ 12,937	\$ 35,610	\$ 248,915
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 12,841	\$ 0	\$ 0	\$ 12,841
Transfers Out	0	(12,841)	0	(12,841)
Total Other Financing Sources (Uses)	<u>\$ 12,841</u>	<u>\$ (12,841)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 213,209	\$ 96	\$ 35,610	\$ 248,915
Fund Balance, July 1, 2010	<u>2,293,058</u>	<u>87,816</u>	<u>292,634</u>	<u>2,673,508</u>
Fund Balance, June 30, 2011	<u>\$ 2,506,267</u>	<u>\$ 87,912</u>	<u>\$ 328,244</u>	<u>\$ 2,922,423</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, 2011

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)		\$ 248,915
(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	\$ 20,856	
Less: current year depreciation expense	<u>(522,604)</u>	(501,748)
(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	\$ 2,798	
Less: proceeds from sale of capital assets	<u>(4,348)</u>	(1,550)
(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, 2011	\$ 58,507	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(58,910)</u>	(403)
(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>(45,637)</u>	(38,137)
Change in net assets of governmental activities (Exhibit B)		<u>\$ (292,923)</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 867,148	\$ 879,760	\$ 879,760	\$ (12,612)
Licenses and Permits	475	600	600	(125)
Other Local Revenues	60,583	50,498	50,998	9,585
State of Tennessee	7,122,013	7,008,596	7,086,984	35,029
Federal Government	50,549	25,000	46,390	4,159
Total Revenues	\$ 8,100,768	\$ 7,964,454	\$ 8,064,732	\$ 36,036
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,094,867	\$ 3,059,352	\$ 3,111,766	\$ 16,899
Alternative Instruction Program	11,774	20,069	20,069	8,295
Special Education Program	603,648	608,201	604,696	1,048
Vocational Education Program	398,126	417,079	426,966	28,840
Adult Education Program	27,978	0	27,979	1
<u>Support Services</u>				
Attendance	79,851	82,058	82,058	2,207
Health Services	100,784	102,700	104,700	3,916
Other Student Support	232,200	240,423	246,188	13,988
Regular Instruction Program	381,264	393,290	392,072	10,808
Special Education Program	38,799	39,675	39,697	898
Vocational Education Program	35,720	37,325	36,625	905
Adult Programs	14,214	0	15,174	960
Other Programs	35,686	0	35,686	0
Board of Education	169,045	202,825	202,825	33,780
Director of Schools	115,164	122,857	118,857	3,693
Office of the Principal	272,848	280,164	288,129	15,281
Fiscal Services	77,747	79,359	79,359	1,612
Operation of Plant	535,505	513,570	566,452	30,947
Maintenance of Plant	90,720	87,533	113,196	22,476
Transportation	421,814	370,261	427,020	5,206
<u>Operation of Non-Instructional Services</u>				
Community Services	54,876	81,023	81,023	26,147
Early Childhood Education	655,610	655,609	655,610	0
<u>Principal on Debt</u>				
Education	0	50,000	0	0
<u>Interest on Debt</u>				
Education	0	2,205	0	0
<u>Other Debt Service</u>				
Education	452,160	541,000	541,000	88,840
Total Expenditures	\$ 7,900,400	\$ 7,986,578	\$ 8,217,147	\$ 316,747
Excess (Deficiency) of Revenues Over Expenditures	\$ 200,368	\$ (22,124)	\$ (152,415)	\$ 352,783

(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 In	\$ 12,841	\$ 0	\$ 0	\$ 12,841
Total Other Financing Sources (Uses)	\$ 12,841	\$ 0	\$ 0	\$ 12,841
Net Change in Fund Balance	\$ 213,209	\$ (22,124)	\$ (152,415)	\$ 365,624
Fund Balance, July 1, 2010	2,293,058	22,124	201,673	2,091,385
Fund Balance, June 30, 2011	\$ 2,506,267	\$ 0	\$ 49,258	\$ 2,457,009

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,716,570	\$ 1,753,303	\$ 2,247,902	\$ (531,332)
Total Revenues	\$ 1,716,570	\$ 1,753,303	\$ 2,247,902	\$ (531,332)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 717,773	\$ 770,699	\$ 757,977	\$ 40,204
Special Education Program	372,846	416,714	419,224	46,378
Vocational Education Program	23,153	23,154	23,153	0
<u>Support Services</u>				
Other Student Support	69,095	124,735	134,851	65,756
Regular Instruction Program	296,721	361,879	678,132	381,411
Vocational Education Program	700	700	700	0
Transportation	42,045	50,398	47,538	5,493
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	181,300	0	181,300	0
Total Expenditures	\$ 1,703,633	\$ 1,748,279	\$ 2,242,875	\$ 539,242
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,937	\$ 5,024	\$ 5,027	\$ 7,910
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (12,841)	\$ (12,841)	\$ (12,841)	\$ 0
Total Other Financing Sources (Uses)	\$ (12,841)	\$ (12,841)	\$ (12,841)	\$ 0
Net Change in Fund Balance	\$ 96	\$ (7,817)	\$ (7,814)	\$ 7,910
Fund Balance, July 1, 2010	87,816	7,817	7,814	80,002
Fund Balance, June 30, 2011	\$ 87,912	\$ 0	\$ 0	\$ 87,912

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 112,668	\$ 87,000	\$ 87,000	\$ 25,668
Other Local Revenues	3,944	0	0	3,944
State of Tennessee	7,130	12,000	12,000	(4,870)
Federal Government	561,215	429,400	457,832	103,383
Total Revenues	<u>\$ 684,957</u>	<u>\$ 528,400</u>	<u>\$ 556,832</u>	<u>\$ 128,125</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 649,347	\$ 664,401	\$ 692,833	\$ 43,486
Total Expenditures	<u>\$ 649,347</u>	<u>\$ 664,401</u>	<u>\$ 692,833</u>	<u>\$ 43,486</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 35,610</u>	<u>\$ (136,001)</u>	<u>\$ (136,001)</u>	<u>\$ 171,611</u>
Net Change in Fund Balance	\$ 35,610	\$ (136,001)	\$ (136,001)	\$ 171,611
Fund Balance, July 1, 2010	<u>292,634</u>	<u>136,001</u>	<u>136,001</u>	<u>156,633</u>
Fund Balance, June 30, 2011	<u>\$ 328,244</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 328,244</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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
NOTES PAYABLE								
<u>Payable through General Fund</u>								
Ambulance	\$ 80,000	3.76 %	7-18-08	7-18-11	\$ 54,325	\$ 0	\$ 26,667	\$ 27,658
Ambulance	77,227	5.2	9-12-07	9-12-10	25,743	0	25,743	0
Ambulance	87,500	4.74	8-20-10	8-20-13	0	87,500	0	87,500
Total Payable through General Fund					\$ 80,068	\$ 87,500	\$ 52,410	\$ 115,158
<u>Payable through General Debt Service Fund</u>								
EMS Building	80,000	3.75	6-24-08	6-24-11	\$ 26,666	\$ 0	\$ 26,666	\$ 0
Total Payable through General Debt Service Fund					\$ 26,666	\$ 0	\$ 26,666	\$ 0
Total Notes Payable					\$ 106,734	\$ 87,500	\$ 79,076	\$ 115,158
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 10,250,000	\$ 0	\$ 360,000	\$ 9,890,000
Jail Construction Refunding	945,000	Variable	6-28-02	5-25-17	513,000	0	65,000	448,000
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	1,102,570	0	52,000	1,050,570
Total Other Loans Payable					\$ 11,865,570	\$ 0	\$ 477,000	\$ 11,388,570
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	135,602	4.45	12-15-08	12-15-11	\$ 67,737	\$ 0	\$ 33,131	\$ 34,606
Total Capital Leases Payable					\$ 67,737	\$ 0	\$ 33,131	\$ 34,606

(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 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
F. H. A. Industrial Development Bond	\$ 85,000	4.875 %	3-26-1998	3-26-36	\$ 72,149	\$ 0	\$ 1,440	\$ 70,709
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	4,560,000	0	240,000	4,320,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	120,000	0	30,000	90,000
Elevator Bond (A)	132,000	4.25	1-11-07	1-11-45	127,450	0	1,647	125,803
Elevator Bond (B)	93,000	4.375	8-18-06	8-18-44	89,882	0	1,132	88,750
Total Bonds Payable					\$ 4,969,481	\$ 0	\$ 274,219	\$ 4,695,262

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 56,825	\$ 5,150	\$ 61,975
2013	29,167	2,765	31,932
2014	29,166	1,383	30,549
Total	\$ 115,158	\$ 9,298	\$ 124,456

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 501,000	\$ 40,639	\$ 54,279	\$ 595,918
2013	524,000	38,906	51,697	614,603
2014	559,000	37,092	49,005	645,097
2015	613,000	35,152	46,143	694,295
2016	638,000	33,017	43,030	714,047
2017	672,000	30,795	39,791	742,586
2018	632,000	28,450	36,388	696,838
2019	658,000	26,174	33,459	717,633
2020	695,000	23,802	30,412	749,214
2021	736,000	21,296	27,198	784,494
2022	768,000	18,639	23,801	810,440
2023	800,000	15,865	20,259	836,124
2024	842,000	12,975	16,570	871,545
2025	878,000	9,932	12,693	900,625
2026	905,000	6,756	8,654	920,410
2027	947,000	3,482	4,491	954,973
2028	20,570	56	141	20,767
Total	\$ 11,388,570	\$ 383,028	\$ 498,011	\$ 12,269,609

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 34,606	\$ 1,540	\$ 36,146
Total	\$ 34,606	\$ 1,540	\$ 36,146

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 4,695,262	\$ 2,590,885	\$ 7,286,147

Exhibit K-3

Hancock County, Tennessee
Schedule of Notes and Capital Leases Receivable
Primary Government and Discretely Presented Hancock County School Department
June 30, 2011

Description	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-11
<u>PRIMARY GOVERNMENT</u>					
Capital Leases Receivable					
General Debt Service Fund					
Lease Agreement - Wellmont Health Systems	\$ 6,000,000	12-15-03	12-15-28	5.6 %	\$ 4,320,000
"	300,000	12-15-03	12-15-13	4.6	90,000
"	707,534	various	5-25-17	variable	550,146
Total					<u>\$ 4,960,146</u>
<u>DISCRETELY PRESENTED HANCOCK COUNTY</u>					
<u>SCHOOL DEPARTMENT</u>					
General Purpose School Fund					
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
"	2,588	2-7-11	9-30-13	0	2,186
Total					<u>\$ 13,371</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, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Other Enterprise Fund (Home Health)	General	Operations	\$ 561,000
Total Transfers Primary Government			<u>\$ 561,000</u>
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect Cost	\$ 12,841
Total Transfers Discretely Presented Hancock County School Department			<u>\$ 12,841</u>

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Greg Marion (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 10,933	\$ 25,000	Auto-Owners Mutual Insurance Company
Thomas Harrison (9-1-10 through 6-30-11)	Section 8-24-102, TCA	54,667	25,000	"
Road Superintendent	Section 8-24-102, TCA	57,477	100,000	Western Surety Company
Director of Schools	State Board of Education and County Board of Education	77,353 (1)	100,000	"
Trustee:				
Kenneth Mayes (7-1-10 through 8-31-10)	Section 8-24-102, TCA	8,708	450,000	Auto-Owners Mutual Insurance Company
Chuck Johnson (9-1-10 through 6-30-11)	Section 8-24-102, TCA	43,543	454,000	"
Assessor of Property	Section 8-24-102, TCA	52,251	25,000	Western Surety Company
County Clerk:				
Wayne Dean (7-1-10 through 8-31-10)	Section 8-24-102, TCA	8,708	25,000	"
Jessie Royston (9-1-10 through 6-30-11)	Section 8-24-102, TCA	43,543	25,000	Auto-Owners Mutual Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	52,251	25,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	52,251 (2)	25,000	Western Surety Company
Register	Section 8-24-102, TCA	52,248	15,000	"
Sheriff:				
Ralph Seal (7-1-10 through 8-31-10)	Section 8-24-102, TCA, and County Commission	11,013 (3)	25,000	"
Leamon Maxey (9-1-10 through 6-30-11)	Section 8-24-102, TCA, and County Commission	52,064 (4)	25,000	Auto-Owners Mutual Insurance Company
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			25,000	"
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Includes chief executive officer's training supplement of \$1,000.
(2) Does not include special commissioner fees of \$1,882.
(3) Includes \$833 for serving as workhouse superintendent and \$600 for a law enforcement training supplement.
(4) Includes \$4,167 for serving as workhouse superintendent.

Exhibit K-6

Hancock County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2011

	Special Revenue Funds							Total
	Constituti -			Highway / Public Works	Debt Service Fund		Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control		Constituti - Officers - Fees	General Debt Service		
\$	1,071,564	229,930	0	0	0	42,578	0	1,344,072
County Property Taxes								
Current Property Tax	52,504	9,822	0	0	0	1,819	0	64,145
Trustee's Collections - Prior Year	41,004	7,009	0	0	0	3,423	0	51,436
Circuit/Clerk & Master Collections - Prior Years	8,558	1,840	0	0	0	361	0	10,759
Interest and Penalty	4,146	893	0	0	0	184	0	5,223
Pick-up Taxes	19	4	0	0	0	1	0	24
Payments in-Lieu-of Taxes - T.V.A.								
County Local Option Taxes								
Local Option Sales Tax	49,833	0	0	0	0	0	0	49,833
Wheel Tax	56,493	0	0	0	0	0	0	56,493
Litigation Tax - General	12,006	0	0	0	0	0	0	12,006
Litigation Tax - Special Purpose	4,935	0	0	0	0	0	0	4,935
Litigation Tax - Jail, Workhouse, or Courthouse	7,189	0	0	0	0	0	0	7,189
Litigation Tax - Courtroom Security	935	0	0	0	0	0	0	935
Business Tax	17,722	0	0	0	0	0	0	17,722
Other County Local Option Taxes	7,083	0	0	0	0	0	0	7,083
Statutory Local Taxes								
Bank Excise Tax	1,938	0	0	0	0	0	0	1,938
Wholesale Beer Tax	4,930	1,156	0	0	0	220	0	6,306
Interstate Telecommunications Tax	438	0	0	0	0	0	0	438
Total Local Taxes	1,341,297	250,654	0	0	0	48,586	0	1,640,537
Licenses and Permits								
Permits								
Building Permits	1,600	0	0	0	0	0	0	1,600
Total Licenses and Permits	1,600	0	0	0	0	0	0	1,600
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	5,567	0	0	0	0	0	0	5,567
Officers Costs	1,870	0	0	0	0	0	0	1,870

(Continued)

Exhibit K-6

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

	Special Revenue Funds										Total	
	Constitutional				Debt Service Fund		Capital Projects Fund		Total			
	General	Solid Waste / Sanitation	Drug Control	Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	General Capital Projects	General Capital Projects	Total		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>												
<u>Circuit Court (Cont.)</u>												
Drug Control Fines	\$ 552	\$ 0	\$ 1,097	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,649
Drug Court Fees	133	0	0	0	0	0	0	0	0	0	0	133
Jail Fees	10	0	0	0	0	0	0	0	0	0	0	10
DUI Treatment Fines	485	0	0	0	0	0	0	0	0	0	0	485
Data Entry Fee - Circuit Court	492	0	0	0	0	0	0	0	0	0	0	492
<u>General Sessions Court</u>												
Fines	21,235	0	0	0	0	0	0	0	0	0	0	21,235
Officers Costs	12,379	0	0	0	0	0	0	0	0	0	0	12,379
Game and Fish Fines	106	0	0	0	0	0	0	0	0	0	0	106
Drug Control Fines	1,941	0	2,013	0	0	0	0	0	0	0	0	3,954
Drug Court Fees	764	0	0	0	0	0	0	0	0	0	0	764
Jail Fees	468	0	0	0	0	0	0	0	0	0	0	468
DUI Treatment Fines	3,611	0	0	0	0	0	0	0	0	0	0	3,611
Data Entry Fee - General Sessions Court	1,197	0	0	0	0	0	0	0	0	0	0	1,197
<u>Juvenile Court</u>												
Fines	171	0	0	0	0	0	0	0	0	0	0	171
Officers Costs	348	0	0	0	0	0	0	0	0	0	0	348
Drug Court Fees	21	0	0	0	0	0	0	0	0	0	0	21
Data Entry Fee - Juvenile Court	52	0	0	0	0	0	0	0	0	0	0	52
<u>Chancery Court</u>												
Officers Costs	209	0	0	0	0	0	0	0	0	0	0	209
Data Entry Fee - Chancery Court	209	0	0	0	0	0	0	0	0	0	0	209
<u>Judicial District Drug Program</u>												
Drug Task Force Forfeitures and Seizures	0	0	12,783	0	0	0	0	0	0	0	0	12,783
<u>Other Fines, Forfeitures, and Penalties</u>												
Proceeds from Confiscated Property	90	0	0	0	0	0	0	0	0	0	0	90
Total Fines, Forfeitures, and Penalties	\$ 51,910	\$ 0	\$ 15,893	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,803

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Tipping Fees	\$ 0	240	0	0	0	0	0	240
Patient Charges	915,848	0	0	0	0	0	0	915,848
Work Release Charges for Board	1,116	0	0	0	0	0	0	1,116
Other General Service Charges	23,118	0	0	0	0	0	0	23,118
Fees								
Copy Fees	303	0	0	0	0	0	0	303
Telephone Commissions	13,471	0	0	0	0	0	0	13,471
Special Commissioner Fees/Special Master Fees	0	0	0	1,882	0	0	0	1,882
Data Processing Fee - Register	1,998	0	0	0	0	0	0	1,998
Sexual Offender Registration Fees - Sheriff	300	0	0	0	0	0	0	300
Total Charges for Current Services	\$ 956,154	\$ 240	\$ 0	\$ 1,882	\$ 0	\$ 0	\$ 0	\$ 958,276
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 0	0	0	0	0	127,444	0	127,444
Sale of Materials and Supplies	0	0	0	0	39,876	0	0	39,876
Commissary Sales	78,260	0	0	0	0	0	0	78,260
Miscellaneous Refunds	30,527	5,058	0	0	390	0	0	35,975
Nonrecurring Items								
Contributions and Gifts	0	0	0	0	0	0	1,200	1,200
Total Other Local Revenues	\$ 108,787	\$ 5,058	\$ 0	\$ 0	\$ 40,266	\$ 127,444	\$ 1,200	\$ 282,755
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 49,536	0	0	0	0	0	0	49,536
Circuit Court Clerk	5,341	0	0	0	0	0	0	5,341
General Sessions Court Clerk	43,335	0	0	0	0	0	0	43,335
Clerk and Master	25,345	0	0	0	0	0	0	25,345
Juvenile Court Clerk	1,272	0	0	0	0	0	0	1,272
Register	18,449	0	0	0	0	0	0	18,449

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees in-Lieu-of Salary (Cont.)</u>								
Sheriff	\$ 1,073	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,073
Trustee	106,933	0	0	0	0	0	0	106,933
Total Fees Received from County Officials	\$ 251,284	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 251,284
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	10,200	0	0	0	0	0	0	10,200
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	73,914	0	0	73,914
Litter Program	18,928	0	0	0	0	0	0	18,928
<u>Other State Revenues</u>								
Income Tax	1,336	325	0	0	0	0	0	1,661
Beer Tax	18,724	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	17,733	0	0	0	0	0	0	17,733
State Revenue Sharing - T.V.A.	253,632	0	0	0	0	0	0	253,632
Emergency Hospital - Prisoners	4,222	0	0	0	0	0	0	4,222
Board of Jurors	27,749	0	0	0	0	0	0	27,749
Contracted Prisoner Boarding	711,588	0	0	0	0	0	0	711,588
Gasoline and Motor Fuel Tax	0	0	0	0	1,288,467	0	0	1,288,467
Petroleum Special Tax	0	0	0	0	5,445	0	0	5,445
Registrar's Salary Supplement	15,468	0	0	0	0	0	0	15,468
Other State Grants	2,860	0	0	0	0	0	0	2,860
Total State of Tennessee	\$ 1,091,440	\$ 325	\$ 0	\$ 0	\$ 1,367,826	\$ 0	\$ 0	\$ 2,459,591
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 202,990	\$ 202,990
Other Federal through State	264,248	0	0	0	0	0	0	264,248

(Continued)

Exhibit K-6

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

	Special Revenue Funds				Highway / Public Works	Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constituti- tional Officers - Fees				
<u>Federal Government (Cont.)</u>								
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	\$ 43,802	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,802
Total Federal Government	\$ 308,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 202,990	\$ 511,040
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 41,170	\$ 0	\$ 0	\$ 0	\$ 0	\$ 457,117	\$ 0	\$ 498,287
Contracted Services	254,559	0	0	0	0	0	0	254,559
Other	876	0	0	0	0	564,471	0	565,347
Total Other Governments and Citizens Groups	\$ 296,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,021,588	\$ 0	\$ 1,318,193
<u>Total</u>	\$ 4,407,127	\$ 256,277	\$ 15,893	\$ 1,882	\$ 1,408,092	\$ 1,197,618	\$ 204,190	\$ 7,491,079

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 544,283	\$ 0	\$ 0	\$ 544,283
Trustee's Collections - Prior Year	24,000	0	0	24,000
Circuit/Clerk & Master Collections - Prior Years	19,986	0	0	19,986
Interest and Penalty	4,360	0	0	4,360
Pick-up Taxes	2,116	0	0	2,116
Payments in-Lieu-of Taxes - T.V.A.	10	0	0	10
<u>County Local Option Taxes</u>				
Local Option Sales Tax	212,710	0	0	212,710
Wheel Tax	56,463	0	0	56,463
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	2,673	0	0	2,673
Interstate Telecommunications Tax	547	0	0	547
Total Local Taxes	\$ 867,148	\$ 0	\$ 0	\$ 867,148
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 475	\$ 0	\$ 0	\$ 475
Total Licenses and Permits	\$ 475	\$ 0	\$ 0	\$ 475
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 112,668	\$ 112,668
Total Charges for Current Services	\$ 0	\$ 0	\$ 112,668	\$ 112,668
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 68	\$ 0	\$ 3,944	\$ 4,012
Lease/Rentals	600	0	0	600
Refund of Telecommunication & Internet Fees (E-Rate)	22,355	0	0	22,355
Miscellaneous Refunds	4,715	0	0	4,715
<u>Nonrecurring Items</u>				
Sale of Equipment	4,348	0	0	4,348
Contributions and Gifts	8,497	0	0	8,497
<u>Other Local Revenues</u>				
Other Local Revenues	20,000	0	0	20,000
Total Other Local Revenues	\$ 60,583	\$ 0	\$ 3,944	\$ 64,527
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 35,686	\$ 0	\$ 0	\$ 35,686
<u>State Education Funds</u>				
Basic Education Program	5,452,655	0	0	5,452,655
Basic Education Program - ARRA	676,970	0	0	676,970
Early Childhood Education	655,609	0	0	655,609
School Food Service	0	0	7,130	7,130
Other State Education Funds	11,356	0	0	11,356
Coordinated School Health - ARRA	85,000	0	0	85,000
Internet Connectivity - ARRA	3,099	0	0	3,099

(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>				
Family Resource Centers - ARRA	\$ 33,300	\$ 0	\$ 0	\$ 33,300
Statewide Student Management System (SSMS) - ARRA	2,795	0	0	2,795
Career Ladder Program	81,017	0	0	81,017
Career Ladder - Extended Contract - ARRA	31,700	0	0	31,700
<u>Other State Revenues</u>				
Income Tax	679	0	0	679
Safe Schools - ARRA	7,600	0	0	7,600
Other State Revenues	44,547	0	0	44,547
Total State of Tennessee	\$ 7,122,013	\$ 0	\$ 7,130	\$ 7,129,143
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 350,850	\$ 350,850
USDA - Commodities	0	0	28,432	28,432
Breakfast	0	0	148,364	148,364
USDA - Other	0	0	33,569	33,569
Adult Education State Grant Program	32,364	0	0	32,364
Vocational Education - Basic Grants to States	0	26,854	0	26,854
Title I Grants to Local Education Agencies	0	790,715	0	790,715
Special Education - Grants to States	3,882	422,888	0	426,770
Special Education Preschool Grants	0	7,962	0	7,962
Rural Education	0	25,806	0	25,806
Eisenhower Professional Development State Grants	0	110,130	0	110,130
Race to the Top - ARRA	0	118,757	0	118,757
Other Federal through State	14,303	213,458	0	227,761
Total Federal Government	\$ 50,549	\$ 1,716,570	\$ 561,215	\$ 2,328,334
Total	\$ 8,100,768	\$ 1,716,570	\$ 684,957	\$ 10,502,295

Exhibit K-8

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 41,265	
Social Security	2,787	
Employee and Dependent Insurance	7,408	
Unemployment Compensation	17	
Audit Services	2,536	
Contributions	3,450	
Dues and Memberships	3,965	
Legal Notices, Recording, and Court Costs	950	
Travel	2,530	
Premiums on Corporate Surety Bonds	600	
Other Charges	3,689	
Total County Commission		\$ 69,197

Board of Equalization

Board and Committee Members Fees	\$ 900	
Total Board of Equalization		900

County Mayor/Executive

County Official/Administrative Officer	\$ 65,600	
Secretary(ies)	29,113	
Other Salaries and Wages	2,997	
Social Security	7,485	
State Retirement	3,980	
Employee and Dependent Insurance	3,174	
Unemployment Compensation	72	
Communication	6,401	
Data Processing Services	8,287	
Dues and Memberships	50	
Postal Charges	3,077	
Travel	4,247	
Office Supplies	2,912	
Premiums on Corporate Surety Bonds	202	
Other Charges	70	
Total County Mayor/Executive		137,667

County Attorney

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	47,024	
Other Salaries and Wages		855	
Election Commission		4,425	
Election Workers		9,818	
Social Security		3,919	
Unemployment Compensation		21	
Communication		2,208	
Data Processing Services		6,900	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		2,363	
Maintenance and Repair Services - Equipment		100	
Postal Charges		943	
Printing, Stationery, and Forms		1,053	
Rentals		1,500	
Travel		2,810	
Other Contracted Services		2,175	
Data Processing Supplies		93	
Office Supplies		494	
Total Election Commission			\$ 86,901

Register of Deeds

County Official/Administrative Officer	\$	52,248	
Clerical Personnel		18,608	
Social Security		5,416	
State Retirement		3,170	
Employee and Dependent Insurance		6,900	
Unemployment Compensation		98	
Communication		2,136	
Data Processing Services		1,854	
Dues and Memberships		674	
Operating Lease Payments		2,436	
Postal Charges		288	
Travel		1,441	
Office Supplies		2,194	
Premiums on Corporate Surety Bonds		117	
Total Register of Deeds			97,580

County Buildings

Supervisor/Director	\$	5,100	
Custodial Personnel		17,196	

(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.)

Other Salaries and Wages	\$ 2,865	
Social Security	2,593	
Employee and Dependent Insurance	7,649	
Unemployment Compensation	251	
Contributions	20,000	
Maintenance and Repair Services - Buildings	24,293	
Maintenance and Repair Services - Vehicles	352	
Other Contracted Services	13,337	
Custodial Supplies	7,870	
Electricity	40,132	
Water and Sewer	8,812	
Other Supplies and Materials	27,623	
Total County Buildings		\$ 178,073

Finance

Purchasing

Data Processing Personnel	\$ 55,816	
Social Security	4,270	
Employee and Dependent Insurance	196	
Unemployment Compensation	265	
Operating Lease Payments	4,090	
Office Supplies	3,691	
Total Purchasing		68,328

Property Assessor's Office

County Official/Administrative Officer	\$ 52,251	
Clerical Personnel	23,651	
Social Security	5,807	
State Retirement	3,170	
Employee and Dependent Insurance	8,383	
Unemployment Compensation	98	
Audit Services	600	
Communication	1,134	
Data Processing Services	3,288	
Dues and Memberships	820	
Legal Notices, Recording, and Court Costs	65	
Postal Charges	200	
Travel	1,421	
Office Supplies	796	
Premiums on Corporate Surety Bonds	517	
Total Property Assessor's Office		102,201

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Clerical Personnel	\$ 18,468	
Social Security	1,413	
Employee and Dependent Insurance	500	
Unemployment Compensation	98	
Maintenance and Repair Services - Buildings	25	
Maintenance and Repair Services - Vehicles	602	
Travel	264	
Gasoline	346	
Vehicle and Equipment Insurance	704	
Total Reappraisal Program		\$ 22,420

County Trustee's Office

County Official/Administrative Officer	\$ 52,251	
Clerical Personnel	19,475	
Social Security	5,460	
State Retirement	3,170	
Employee and Dependent Insurance	7,496	
Unemployment Compensation	32	
Communication	3,496	
Data Processing Services	5,228	
Dues and Memberships	349	
Legal Notices, Recording, and Court Costs	640	
Postal Charges	3,044	
Travel	820	
Office Supplies	2,332	
Other Supplies and Materials	225	
Premiums on Corporate Surety Bonds	3,369	
Office Equipment	100	
Total County Trustee's Office		107,487

County Clerk's Office

County Official/Administrative Officer	\$ 52,251
Clerical Personnel	45,124
Other Per Diem and Fees	550
Social Security	7,486
State Retirement	3,170
Employee and Dependent Insurance	4,050
Unemployment Compensation	269
Communication	1,616
Data Processing Services	4,254

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Dues and Memberships	\$ 449	
Postal Charges	267	
Travel	1,771	
Office Supplies	1,833	
Premiums on Corporate Surety Bonds	217	
Total County Clerk's Office		\$ 123,307

Other Finance

Trustee's Commission	\$ 49,599	
Total Other Finance		49,599

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 52,251	
Clerical Personnel	42,608	
Jury and Witness Expense	4,952	
Social Security	7,257	
State Retirement	3,170	
Employee and Dependent Insurance	10,351	
Unemployment Compensation	196	
Communication	3,687	
Data Processing Services	7,307	
Dues and Memberships	299	
Operating Lease Payments	2,733	
Postal Charges	183	
Travel	200	
Office Supplies	4,213	
Premiums on Corporate Surety Bonds	329	
Total Circuit Court		139,736

General Sessions Court

Judge(s)	\$ 61,985	
Social Security	4,742	
State Retirement	3,760	
Dues and Memberships	175	
Travel	1,611	
Total General Sessions Court		72,273

Chancery Court

County Official/Administrative Officer	\$ 52,251	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Clerical Personnel	\$ 19,608	
Social Security	5,497	
State Retirement	3,170	
Employee and Dependent Insurance	3,450	
Unemployment Compensation	98	
Communication	3,163	
Data Processing Services	2,841	
Dues and Memberships	729	
Operating Lease Payments	2,126	
Postal Charges	44	
Travel	2,330	
Office Supplies	1,723	
Premiums on Corporate Surety Bonds	232	
Total Chancery Court		\$ 97,262

District Attorney General

Other Contracted Services	\$ 9,990	
Total District Attorney General		9,990

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 62,477
Deputy(ies)	199,206
Investigator(s)	60,388
In-Service Training	13,707
Social Security	24,026
State Retirement	3,860
Employee and Dependent Insurance	25,237
Unemployment Compensation	1,387
Dues and Memberships	1,195
Maintenance Agreements	751
Maintenance and Repair Services - Vehicles	14,863
Gasoline	48,982
Law Enforcement Supplies	3,071
Tires and Tubes	2,964
Uniforms	119
Vehicle Parts	289
Liability Insurance	25,860
Premiums on Corporate Surety Bonds	3,048
Vehicle and Equipment Insurance	43,750

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Charges	\$ 78	
Total Sheriff's Department		\$ 535,258

Jail

Accountants/Bookkeepers	\$ 19,547	
Medical Personnel	7,001	
Dispatchers/Radio Operators	100,705	
Guards	242,558	
Clerical Personnel	24,073	
Cafeteria Personnel	22,708	
Custodial Personnel	2,964	
Social Security	32,091	
Employee and Dependent Insurance	35,225	
Unemployment Compensation	2,877	
Communication	18,162	
Operating Lease Payments	3,728	
Legal Notices, Recording, and Court Costs	2,091	
Maintenance and Repair Services - Buildings	5,587	
Maintenance and Repair Services - Equipment	309	
Medical and Dental Services	96,972	
Postal Charges	2,177	
Travel	5,799	
Other Contracted Services	10,346	
Custodial Supplies	15,082	
Drugs and Medical Supplies	3,025	
Electricity	57,482	
Food Preparation Supplies	189	
Food Supplies	145,528	
Gasoline	188	
General Construction Materials	65	
Library Books/Media	150	
Office Supplies	5,901	
Water and Sewer	36,907	
Other Supplies and Materials	20,827	
Other Equipment	293	
Total Jail		920,557

Juvenile Services

Youth Service Officer(s)	\$ 10,927	
Social Security	836	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Unemployment Compensation	\$	95	
Communication		829	
Travel		515	
Other Contracted Services		40,300	
Office Supplies		261	
Total Juvenile Services			\$ 53,763

Commissary

Other Supplies and Materials	\$	37,294	
Other Charges		6,891	
Total Commissary			44,185

Civil Defense

Other Salaries and Wages	\$	7,050	
Social Security		539	
Unemployment Compensation		96	
Communication		3	
Maintenance and Repair Services - Vehicles		1,744	
Other Contracted Services		400	
Diesel Fuel		603	
Office Supplies		325	
Other Supplies and Materials		4,128	
Vehicle and Equipment Insurance		7,651	
Other Charges		5,024	
Office Equipment		5,405	
Total Civil Defense			32,968

Rescue Squad

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

Other Emergency Management

Other Charges	\$	3,235	
Total Other Emergency Management			3,235

County Coroner/Medical Examiner

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Deputy(ies)	\$ 12,230	
Social Security	1,001	
Employee and Dependent Insurance	5,407	
Unemployment Compensation	205	
Road Signs	1,512	
Total Other Public Safety		\$ 20,355

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 9,012	
Social Security	689	
Unemployment Compensation	95	
Communication	5,851	
Operating Lease Payments	2,099	
Maintenance Agreements	811	
Maintenance and Repair Services - Buildings	4,627	
Pest Control	342	
Postal Charges	744	
Custodial Supplies	2,432	
Electricity	16,256	
Office Supplies	3,591	
Water and Sewer	1,968	
Other Supplies and Materials	252	
Building and Contents Insurance	1,548	
Other Charges	3,326	
Total Local Health Center		53,643

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,839
Medical Personnel	276,327
Clerical Personnel	108
Part-time Personnel	119,114
In-Service Training	945
Social Security	33,498
Employee and Dependent Insurance	30,451
Unemployment Compensation	2,369
Communication	5,898
Data Processing Services	60,763
Operating Lease Payments	533
Legal Notices, Recording, and Court Costs	45

(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.)

Licenses	\$	1,900	
Maintenance and Repair Services - Buildings		944	
Maintenance and Repair Services - Vehicles		8,814	
Postal Charges		679	
Disposal Fees		685	
Other Contracted Services		1,843	
Custodial Supplies		1,305	
Diesel Fuel		42,498	
Drugs and Medical Supplies		24,822	
Electricity		4,561	
Office Supplies		696	
Propane Gas		558	
Tires and Tubes		6,294	
Uniforms		1,261	
Water and Sewer		1,143	
Other Supplies and Materials		956	
Vehicle and Equipment Insurance		24,142	
Other Charges		25	
Communication Equipment		46	
Motor Vehicles		<u>87,500</u>	
Total Ambulance/Emergency Medical Services			\$ 782,562

Alcohol and Drug Programs

Other Charges	\$	<u>1,175</u>	
Total Alcohol and Drug Programs			1,175

Crippled Children Services

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

Other Local Health Services

Part-time Personnel	\$	3,436	
Social Security		255	
Unemployment Compensation		45	
Travel		562	
Other Supplies and Materials		453	
Other Equipment		<u>38</u>	
Total Other Local Health Services			4,789

(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	\$ 18,608	
Clerical Personnel	2,400	
Social Security	1,013	
Unemployment Compensation	108	
Other Supplies and Materials	4,297	
Total Sanitation Management		\$ 26,426

Sanitation Education/Information

Guards	\$ 1,058	
Social Security	81	
Unemployment Compensation	15	
Total Sanitation Education/Information		1,154

Other Public Health and Welfare

Travel	\$ 28	
Other Supplies and Materials	60	
Total Other Public Health and Welfare		88

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 6,134	
Total Senior Citizens Assistance		6,134

Libraries

Librarians	\$ 19,783	
Part-time Personnel	11,418	
Social Security	2,387	
Employee and Dependent Insurance	3,450	
Unemployment Compensation	194	
Communication	154	
Contributions	15,600	
Library Books/Media	2,555	
Total Libraries		55,541

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$ 1,902	
Rentals	6,000	
Other Contracted Services	29,341	
Custodial Supplies	74	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Electricity	\$	1,235	
Office Supplies		423	
Water and Sewer		973	
Total Agriculture Extension Service			\$ 39,948

Soil Conservation

Communication	\$	583	
Contributions		13,440	
Rentals		3,840	
Electricity		692	
Total Soil Conservation			18,555

Other Operations

Public Transportation

Supervisor/Director	\$	25,963	
Bus Drivers		138,737	
Social Security		12,665	
Employee and Dependent Insurance		14,493	
Unemployment Compensation		1,038	
Communication		4,466	
Dues and Memberships		2,000	
Legal Notices, Recording, and Court Costs		416	
Maintenance and Repair Services - Buildings		400	
Maintenance and Repair Services - Vehicles		6,089	
Travel		459	
Other Contracted Services		937	
Gasoline		39,376	
Office Supplies		6,753	
Tires and Tubes		1,589	
Vehicle and Equipment Insurance		32,130	
Other Charges		6,042	
Motor Vehicles		31,330	
Total Public Transportation			324,883

Veterans' Services

Other Salaries and Wages	\$	5,568	
Social Security		426	
Unemployment Compensation		77	
Communication		1,461	
Travel		180	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Other Supplies and Materials	\$ 164	
Total Veterans' Services		\$ 7,876

Other Charges

Other Salaries and Wages	\$ 129,370	
Total Other Charges		129,370

Employee Benefits

State Retirement	\$ 7,995	
Employee and Dependent Insurance	30,335	
Refunds	592	
Other Charges	17	
Total Employee Benefits		38,939

Principal on Debt

General Government

Principal on Notes	\$ 52,410	
Principal on Capital Leases	33,131	
Total General Government		85,541

Interest on Debt

General Government

Interest on Notes	\$ 3,512	
Interest on Capital Leases	3,014	
Total General Government		<u>6,526</u>

Total General Fund		\$ 4,588,168
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 18,838
Truck Drivers	40,691
Other Salaries and Wages	28,686
Social Security	6,759
Employee and Dependent Insurance	10,117
Unemployment Compensation	505
Communication	896
Contracts with Private Agencies	87,113
Maintenance and Repair Services - Equipment	6,916

(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.)

Other Contracted Services	\$	3,360	
Crushed Stone		1,597	
Diesel Fuel		23,464	
Electricity		1,647	
Tires and Tubes		4,088	
Other Supplies and Materials		1,110	
Trustee's Commission		5,018	
Vehicle and Equipment Insurance		3,699	
Other Charges		1,153	
Total Sanitation Management			\$ 245,657

Total Solid Waste/Sanitation Fund \$ 245,657

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$	29	
Other Charges		17,563	
Total Drug Enforcement			\$ 17,592

Total Drug Control Fund 17,592

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	1,882	
Total Chancery Court			\$ 1,882

Total Constitutional Officers - Fees Fund 1,882

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477	
Accountants/Bookkeepers		23,500	
Laborers		313,852	
Overtime Pay		14,914	
Data Processing Services		4,854	
Office Supplies		1,004	
Utilities		11,031	
Total Administration			\$ 426,632

(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	\$ 131,827	
Asphalt - Hot Mix	121,310	
Crushed Stone	188,533	
Pipe - Metal	9,235	
Other Supplies and Materials	22,356	
Total Highway and Bridge Maintenance		\$ 473,261

Operation and Maintenance of Equipment

Diesel Fuel	\$ 67,118	
Equipment and Machinery Parts	22,794	
Gasoline	34,992	
Lubricants	4,930	
Tires and Tubes	10,870	
Total Operation and Maintenance of Equipment		140,704

Other Charges

Dues and Memberships	\$ 1,952	
Trustee's Commission	12,939	
Vehicle and Equipment Insurance	39,140	
Other Charges	6,565	
Total Other Charges		60,596

Employee Benefits

Social Security	\$ 28,419	
State Retirement	4,184	
Life Insurance	10,321	
Medical Insurance	32,401	
Unemployment Compensation	3,303	
Employer Medicare	2,946	
Other Fringe Benefits	7,553	
Workers' Compensation Insurance	22,501	
Total Employee Benefits		111,628

Capital Outlay

Operating Lease Payments	\$ 2,316	
Bridge Construction	74,332	
Total Capital Outlay		76,648

Total Highway/Public Works Fund \$ 1,289,469

(Continued)

Exhibit K-8

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 274,219	
Principal on Notes	26,666	
Principal on Other Loans	92,404	
Total General Government		\$ 393,289

Education

Principal on Other Loans	\$ 384,596	
Total Education		384,596

Interest on Debt

General Government

Interest on Bonds	\$ 273,781	
Interest on Notes	1,023	
Interest on Other Loans	4,137	
Total General Government		278,941

Education

Interest on Other Loans	\$ 48,671	
Total Education		48,671

Other Debt Service

General Government

Trustee's Commission	\$ 7,529	
Other Debt Service	7,935	
Total General Government		15,464

Education

Other Debt Service	\$ 48,996	
Total Education		48,996

Total General Debt Service Fund \$ 1,169,957

General Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Refunds	\$ 150	
Building Construction	202,795	
Total Public Health and Welfare Projects		\$ 202,945

Total General Capital Projects Fund 202,945

(Continued)

Exhibit K-8

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

Other Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Other Capital Outlay

\$ 970

Total Public Health and Welfare Projects

\$ 970

Total Other Capital Projects Fund

\$ 970

Total Governmental Funds - Primary Government

\$ 7,516,640

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,281,257	
Career Ladder Program	40,492	
Career Ladder Extended Contracts	27,200	
Homebound Teachers	10,710	
Other Salaries and Wages	36,104	
Non-certified Substitute Teachers	32,223	
Social Security	145,376	
State Retirement	216,522	
Medical Insurance	170,638	
Employer Medicare	33,999	
Instructional Supplies and Materials	6,900	
Textbooks	79,143	
Other Supplies and Materials	14,303	
Total Regular Instruction Program		\$ 3,094,867

Alternative Instruction Program

Other Salaries and Wages	\$ 7,500	
Social Security	465	
Employer Medicare	109	
Contracts with Other School Systems	3,700	
Total Alternative Instruction Program		11,774

Special Education Program

Teachers	\$ 370,579	
Career Ladder Program	6,000	
Educational Assistants	82,166	
Non-certified Substitute Teachers	6,953	
Social Security	27,827	
State Retirement	34,080	
Medical Insurance	28,722	
Unemployment Compensation	1,853	
Employer Medicare	6,508	
Other Contracted Services	20,793	
Other Supplies and Materials	18,167	
Total Special Education Program		603,648

Vocational Education Program

Teachers	\$ 297,073	
Career Ladder Program	5,000	

(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 (Cont.)

Educational Assistants	\$	10,360	
Non-certified Substitute Teachers		2,791	
Social Security		18,247	
State Retirement		27,338	
Medical Insurance		32,147	
Employer Medicare		4,267	
T&I Construction Materials		903	
Total Vocational Education Program			\$ 398,126

Adult Education Program

Teachers	\$	6,453	
Other Salaries and Wages		18,200	
Social Security		1,611	
State Retirement		454	
Unemployment Compensation		883	
Employer Medicare		377	
Total Adult Education Program			27,978

Support Services

Attendance

Supervisor/Director	\$	28,016	
Other Salaries and Wages		41,608	
Social Security		4,288	
State Retirement		2,626	
Medical Insurance		1,882	
Employer Medicare		1,003	
Travel		428	
Total Attendance			79,851

Health Services

Other Salaries and Wages	\$	68,628	
Social Security		3,977	
State Retirement		4,981	
Medical Insurance		7,100	
Unemployment Compensation		220	
Employer Medicare		930	
Travel		2,332	
Other Contracted Services		840	
Other Supplies and Materials		7,002	

(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.)

Other Charges	\$ 4,774	
Total Health Services		\$ 100,784

Other Student Support

Career Ladder Program	\$ 2,000	
Guidance Personnel	97,531	
School Resource Officer	34,153	
Other Salaries and Wages	65,775	
Social Security	13,638	
State Retirement	9,008	
Medical Insurance	6,906	
Employer Medicare	3,189	
Total Other Student Support		232,200

Regular Instruction Program

Supervisor/Director	\$ 25,937	
Career Ladder Program	1,000	
Librarians	81,880	
Materials Supervisor	49,930	
Instructional Computer Personnel	54,844	
Other Salaries and Wages	58,518	
Social Security	16,407	
State Retirement	14,367	
Medical Insurance	8,547	
Employer Medicare	3,844	
Consultants	800	
Maintenance and Repair Services - Equipment	17,713	
Travel	4,413	
Other Contracted Services	16,116	
Library Books/Media	2,678	
Periodicals	265	
Other Supplies and Materials	9,643	
Other Charges	14,362	
Total Regular Instruction Program		381,264

Special Education Program

Supervisor/Director	\$ 27,139
Career Ladder Program	500
Social Security	1,703

(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 (Cont.)

State Retirement	\$	2,547	
Medical Insurance		2,212	
Employer Medicare		398	
Travel		4,300	
Total Special Education Program			\$ 38,799

Vocational Education Program

Supervisor/Director	\$	27,139	
Career Ladder Program		500	
Social Security		1,620	
State Retirement		2,456	
Medical Insurance		1,923	
Employer Medicare		379	
Travel		1,703	
Total Vocational Education Program			35,720

Adult Programs

Supervisor/Director	\$	10,000	
Social Security		620	
State Retirement		905	
Employer Medicare		145	
Other Supplies and Materials		1,639	
In Service/Staff Development		905	
Total Adult Programs			14,214

Other Programs

On-Behalf Payments to OPEB	\$	35,686	
Total Other Programs			35,686

Board of Education

Secretary to Board	\$	1,000	
Board and Committee Members Fees		6,799	
Social Security		434	
Unemployment Compensation		6,650	
Employer Medicare		112	
Audit Services		5,275	
Dues and Memberships		6,729	
Travel		5,731	
Judgments		8,850	

(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.)

Liability Insurance	\$	55,730	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		30,238	
Workers' Compensation Insurance		31,486	
Other Charges		9,661	
Total Board of Education			\$ 169,045

Director of Schools

County Official/Administrative Officer	\$	77,353	
Social Security		4,768	
State Retirement		7,000	
Medical Insurance		7,001	
Employer Medicare		1,115	
Other Fringe Benefits		1,375	
Communication		13,683	
Travel		2,869	
Total Director of Schools			115,164

Office of the Principal

Principals	\$	130,108	
Career Ladder Program		3,000	
Assistant Principals		55,364	
Secretary(ies)		40,705	
Social Security		13,767	
State Retirement		17,057	
Medical Insurance		9,408	
Employer Medicare		3,220	
Travel		219	
Total Office of the Principal			272,848

Fiscal Services

Accountants/Bookkeepers	\$	61,980	
Social Security		3,798	
Employer Medicare		888	
Travel		609	
Other Contracted Services		7,017	
Other Supplies and Materials		3,455	
Total Fiscal Services			77,747

(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.)

Operation of Plant

Custodial Personnel	\$	132,757	
Social Security		8,479	
Employer Medicare		1,983	
Maintenance and Repair Services - Equipment		13,849	
Disposal Fees		3,080	
Other Contracted Services		8,120	
Custodial Supplies		13,040	
Electricity		300,396	
Natural Gas		26,624	
Water and Sewer		27,177	
Total Operation of Plant			\$ 535,505

Maintenance of Plant

Supervisor/Director	\$	15,234	
Social Security		950	
Employer Medicare		222	
Maintenance and Repair Services - Buildings		22,834	
Maintenance and Repair Services - Equipment		51,480	
Total Maintenance of Plant			90,720

Transportation

Supervisor/Director	\$	21,012	
Mechanic(s)		13,514	
Bus Drivers		165,826	
Other Salaries and Wages		17,346	
Social Security		12,016	
State Retirement		1,450	
Medical Insurance		3,408	
Employer Medicare		3,141	
Maintenance and Repair Services - Vehicles		56,883	
Diesel Fuel		71,000	
Gasoline		42,000	
Tires and Tubes		10,213	
Other Charges		4,005	
Total Transportation			421,814

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	28,500	
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(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.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Salaries and Wages	\$	19,200	
Social Security		2,919	
State Retirement		2,580	
Unemployment Compensation		220	
Employer Medicare		683	
Other Supplies and Materials		420	
Other Charges		354	
Total Community Services			\$ 54,876

Early Childhood Education

Other Salaries and Wages	\$	471,381	
Social Security		28,497	
State Retirement		24,711	
Medical Insurance		14,637	
Unemployment Compensation		2,310	
Employer Medicare		6,665	
Maintenance and Repair Services - Equipment		1,281	
Travel		5,715	
Other Supplies and Materials		98,413	
Other Charges		2,000	
Total Early Childhood Education			655,610

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	452,160	
Total Education			452,160

Total General Purpose School Fund \$ 7,900,400

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	420,715	
Educational Assistants		125,204	
Non-certified Substitute Teachers		8,628	
Social Security		32,945	
State Retirement		37,843	
Medical Insurance		23,586	
Unemployment Compensation		2,719	

(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.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	7,706	
Instructional Supplies and Materials		10,185	
Regular Instruction Equipment		48,242	
Total Regular Instruction Program			\$ 717,773

Special Education Program

Teachers	\$	39,795	
Educational Assistants		212,616	
Non-certified Substitute Teachers		203	
Social Security		15,010	
State Retirement		3,601	
Medical Insurance		5,367	
Unemployment Compensation		3,105	
Employer Medicare		3,559	
Other Contracted Services		40,905	
Other Supplies and Materials		22,562	
Special Education Equipment		26,123	
Total Special Education Program			372,846

Vocational Education Program

Educational Assistants	\$	11,368	
Social Security		688	
Unemployment Compensation		141	
Employer Medicare		161	
Other Contracted Services		700	
Instructional Supplies and Materials		10,095	
Total Vocational Education Program			23,153

Support Services

Other Student Support

Maintenance and Repair Services - Equipment	\$	1,715	
Travel		7,712	
Other Contracted Services		34,274	
In Service/Staff Development		2,535	
Other Charges		22,859	
Total Other Student Support			69,095

Regular Instruction Program

Supervisor/Director	\$	29,112	
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(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.)

Regular Instruction Program (Cont.)

Clerical Personnel	\$	17,755	
Other Salaries and Wages		146,273	
In-Service Training		920	
Social Security		11,739	
State Retirement		15,921	
Medical Insurance		3,190	
Unemployment Compensation		559	
Employer Medicare		2,745	
Operating Lease Payments		1,400	
Travel		12,689	
Other Supplies and Materials		690	
In Service/Staff Development		53,728	
Total Regular Instruction Program			\$ 296,721

Vocational Education Program

Travel	\$	700	
Total Vocational Education Program			700

Transportation

Bus Drivers	\$	19,330	
Social Security		1,267	
Unemployment Compensation		283	
Employer Medicare		309	
Transportation Equipment		20,856	
Total Transportation			42,045

Operation of Non-Instructional Services

Early Childhood Education

Other Salaries and Wages	\$	158,594	
Social Security		9,663	
State Retirement		3,227	
Unemployment Compensation		1,176	
Employer Medicare		2,260	
Other Contracted Services		3,750	
Other Supplies and Materials		2,630	
Total Early Childhood Education			181,300

Total School Federal Projects Fund \$ 1,703,633

(Continued)

Exhibit K-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,354	
Cafeteria Personnel		139,101	
Social Security		11,601	
State Retirement		4,376	
Unemployment Compensation		2,100	
Employer Medicare		2,713	
Maintenance and Repair Services - Equipment		13,297	
Travel		746	
Other Contracted Services		5,679	
Food Supplies		384,482	
Other Supplies and Materials		4,755	
In Service/Staff Development		951	
Food Service Equipment		2,760	
USDA - Commodities		28,432	
Total Food Service			<u>\$ 649,347</u>

Total Central Cafeteria Fund \$ 649,347

Total Governmental Funds - Hancock County School Department \$ 10,253,380

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, 2011

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 158,099
Total Cash Receipts	<u>\$ 158,099</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 156,518
Trustee's Commission	<u>1,581</u>
Total Cash Disbursements	<u>\$ 158,099</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
 Cash Balance, June 30, 2011	<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

August 31, 2011

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, 2011, which collectively comprise Hancock County's basic financial statements and have issued our report thereon dated August 31, 2011. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Hancock County Emergency Communications District, 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 11.12.

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: 11.01, 11.07, 11.10 and 11.11.

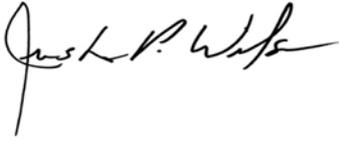
Compliance and Other Matters

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 11.02, 11.03, 11.04, 11.05, 11.06, 11.08, and 11.09.

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

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



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
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 31, 2011

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Hancock County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hancock County's management. Our responsibility is to express an opinion on Hancock County's compliance based on our audit.

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

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hancock County's compliance with those requirements.

In our opinion, Hancock County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

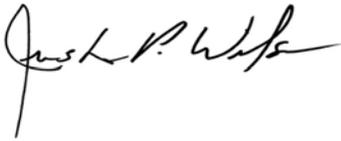
Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated August 31, 2011. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Hancock County Emergency Communications District, 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 as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Hancock County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

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	\$ 148,364
National School Lunch Program	10.555	N/A	384,419 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	28,432 (4)
Passed-through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and and Children, Recovery Act	10.557	GG-1133922	18,000
Total U.S. Department of Agriculture			<u>\$ 579,215</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
HOME Investment Partnership Program	14.239	HM-10-21	\$ 202,990
Total U.S. Department of Housing and Urban Development			<u>\$ 202,990</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Title V - Delinquency Prevention Program	16.548	N/A	\$ 43,802
Total U.S. Department of Justice			<u>\$ 43,802</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	(2)	\$ 246,248
Total U.S. Department of Transportation			<u>\$ 246,248</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 626,606
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	168,845
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	255,626
Special Education - Preschool Grants	84.173	N/A	6,892
Special Education - Grants to States, Recovery Act	84.391	N/A	171,146
Special Education - Preschool Grants, Recovery Act	84.392	N/A	1,070
Career and Technical Education - Basic Grants to States	84.048	N/A	26,854
Even Start - State Educational Agencies	84.213	N/A	181,300
Education Technology Cluster:			
Education Technology State Grants	84.318	N/A	6,986
Education Technology State Grants, Recovery Act	84.386	N/A	20,337
Rural Education	84.358	N/A	25,806
Improving Teacher Quality State Grants	84.367	N/A	110,130
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	676,970
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	N/A	163,495
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	118,756
Passed-through State Department of Labor and Workforce Development:			
Adult Education-State Grant Program	84.002	DG-11-31220220	32,364
Total U.S. Department of Education			<u>\$ 2,593,183</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.S. Department of Health and Human Services: Passed-through State Department of Education: ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	N/A	\$ 14,303
Total U.S. Department of Health and Human Services			<u>\$ 14,303</u>
Total Expenditures of Federal Awards			<u>\$ 3,679,741</u>
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(3)	\$ 13,963
Juvenile Services Program - State Commission on Children and Youth	N/A	(3)	9,000
Bridge Program - State Department of Transportation	N/A	(3)	73,914
Adult Basic Education - State Department of Education	N/A	DG-11-31220220	10,778
Early Childhood Education Pilot Project - State Department of Education	N/A	(3)	<u>655,609</u>
Total State Grants			<u>\$ 763,264</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) GG-10-79671-00: \$69,713; GG-11-33529-00: \$176,535.

(3) Information not available.

(4) Total for CFDA No. 10.555 is \$412,851.

Hancock County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.03	150	The office had deficiencies in the purchase order system
10.04	150-151	The office had deficiencies in computer system backup procedures

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	153	Execution docket trial balances did not reconcile with cash journal accounts

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.08	153-154	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
10.09	154-155	Hancock County has a material recurring audit finding

HANCOCK COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

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. One of these deficiencies is considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Hancock County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. Our audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); 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; however, management did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 11.01 **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. The office prepared a listing of outstanding purchase orders at June 30, 2011; however, this listing was not accurate. We noted numerous purchase orders on the listing that had been completed and should have been removed from the listing; however, entries had not been made to record the liquidation of the purchase order. Since completed purchase orders were not properly posted as liquidated, the fund equity section on the balance sheet and the budgetary comparison statement were inaccurate. 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. Steps should be taken to ensure that completed purchase orders are properly liquidated and the outstanding purchase order listing is accurately compiled.

FINDING 11.02 COMPETITIVE BIDS WERE NOT SOLICITED FOR MATTRESSES FOR THE JAIL
 (Noncompliance Under *Government Auditing Standards*)

Competitive bids were not solicited for mattresses purchased for the jail totaling \$11,915. Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*, require public advertising and solicitation of competitive bids on purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statutes.

FINDING 11.03 EXPENDITURES EXCEEDED APPROPRIATIONS
 (Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission as noted below:

- A. Expenditures exceeded appropriations in several major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
General Sessions Court Clerk	\$ 1,588
Sheriff's Department	10,457
Other Emergency Management	3,235
Alcohol and Drug Program	148
Sanitation Education/Information	1,154
Veteran's Service	396

- B. Salaries exceeded line-item appropriations in 14 "personnel services" line-items of the General Fund by amounts ranging from \$8 to \$22,206.

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

The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

These deficiencies exist because management failed to stay within the spending limits authorized by the County Commissions, which resulted in unauthorized expenditures. Also, management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

FINDING 11.04 **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. This deficiency is also a result of management's failure to correct the finding noted in the prior-year audit report.

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.

FINDING 11.05 **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE**

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for an \$87,500 capital outlay note that was issued during the year. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.06 **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT OF \$55,095 AT JUNE 30, 2011**

(Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, the School Federal Projects Fund had a cash overdraft of \$55,095. Sound business practices dictate that expenditures be held within available funds, and Section 8-11-104, *Tennessee Code Annotated*, provides that the trustee should not pay warrants in excess of fund availability. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2011.

RECOMMENDATION

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

OFFICE OF TRUSTEE

FINDING 11.07 **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.08 **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS** (Material Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, 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.

OFFICE OF SHERIFF

FINDING 11.09 **SEVERAL ARRESTEE FILES DID NOT INCLUDE AN ACKNOWLEDGMENT OF ACCEPTANCE** (Noncompliance Under *Government Auditing Standards*)

The Sheriff's Department uses an electronic imaging fingerprint machine to fingerprint arrestees at the time of their arrest. This machine is designed to electronically store the fingerprint images, generate records of the images taken, and transmit the images to the Tennessee Bureau of Investigation (TBI). Section 8-4-115, *Tennessee Code Annotated*, provides that if fingerprints are transmitted to the TBI electronically, the booking agency shall maintain one hard copy of the fingerprints along with an acknowledgment from the TBI that a copy of the fingerprints has been received and accepted. During our examination of arrestee files, we noted that the hard copies of the fingerprints were on file; however, in some instances, the department did not maintain the acknowledgment from the TBI that the fingerprints had been received and accepted. This deficiency can be attributed to a lack of management oversight.

RECOMMENDATION

The sheriff should ensure that the fingerprints of all persons arrested are properly submitted to and accepted by the TBI as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 11.10 **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 11.11 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND CLERK AND MASTER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, and Clerk and Master. Sound internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a

management decision by the officials resulting in a loss of control over assets. Since management was not aware of its importance, the officials did not obtain separate cash drawers until we brought it to their attention several months into the fiscal year. The officials have now obtained separate cash drawers and have assigned one to each employee accepting cash.

FINDING 11.12 HANCOCK COUNTY HAS A MATERIAL RECURRING AUDIT FINDING
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Hancock County has a material audit finding that has been reported in its annual financial reports for nine consecutive years. This recurring material finding is listed below:

<u>Last Three Years'</u> <u>Finding Numbers</u>	<u>Description</u>
11.08, 10.07, 09.08	Execution docket trial balances did not reconcile with cash journal accounts in Circuit and General Sessions Courts

The recurring nature of the above-noted finding 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

HANCOCK COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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**

There were no findings and questioned costs for federal programs.

**HANCOCK COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011**

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

Director of Schools – Summary Schedule for Prior-Year's Findings

FINDINGS 10.05 and 10.10

An ARRA fiscal corrective action plan was submitted to the Tennessee Department of Education, Division of Special Education on April 12, 2010, and was verified as acceptable by a management consultant. We were notified on June 1, 2010, that all fiscal ARRA corrective action plan requirements had been completed.