
ANNUAL FINANCIAL REPORT HANCOCK COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT
HANCOCK COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director***

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

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

***PHILIP TOBY, CGFM
VERNA DAVIS
GREG BRUSH
State Auditors***

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

HANCOCK COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Hancock County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Hancock County as of and for the year ended June 30, 2012.

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 ten 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

- ◆ Some purchase orders were issued after the purchases were made.
- ◆ The office did not file a Report on Debt Obligation with the state Comptroller's Office in a timely manner.
- ◆ The office had deficiencies in computer system backup procedures.
- ◆ Expenditures exceeded appropriations.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department had deficiencies in the use of federal Child Nutrition Program funds.
 - ◆ Competitive bids were not solicited for site preparation for an elementary school playground.
 - ◆ A capital outlay note was not issued in compliance with state statutes.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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

HANCOCK COUNTY

- ◆ Hancock County has a material recurring audit finding.
-

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND HOME HEALTH

- ◆ 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.
-

BEST PRACTICE

Hancock County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government 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, 2012

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
Wayne Bailey
Johnny Bunch
Doug Garland
Carlin Greene
Ed Gulliver
Bobby Johnson
Kenny Lamb

Sonny Lawson
Claude Lemarr
Junior Martin
John McNeil
Lincoln Nichols
Phillip Nichols
Gary Seal

Board of Education

Freddie Mullins, Chairman
Norman Greene
Dennis Holt
David Jones

Hugh Livesay
Carl Reed
Jeff Stapleton

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 4, 2012

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, 2012, 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, 2012, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hancock County, Tennessee, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012, 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.

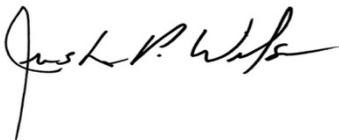
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hancock County's 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 prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Hancock County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government			Total	Component Unit		
	Governmental Activities	Business-type Activities			Hancock County School Department		
\$	1,548	\$	0	\$	1,548	\$	7,203
	4,160,103		946,804		5,106,907		3,238,657
	591,969		195,246		787,215		4,222
	(391,353)		(45,039)		(436,392)		0
	584,190		0		584,190		167,053
	1,668,674		0		1,668,674		675,919
	(116,735)		0		(116,735)		(47,285)
	0		0		0		12,368
	28,500		0		28,500		0
	4,665,719		0		4,665,719		0
	412,474		26,350		438,824		453,150
	0		0		0		35,724
	1,841,452		319,798		2,161,250		10,878,253
	411,848		0		411,848		750,199
	13,893,729		0		13,893,729		0
\$	27,752,118	\$	1,443,159	\$	29,195,277	\$	16,175,463

(Continued)

ASSETS

Cash and Cash Equivalents
Equity in Pooled Cash and Investments
Accounts Receivable
Allowance for Uncollectibles
Due from Other Governments
Property Taxes Receivable
Allowance for Uncollectible Property Taxes
Notes Receivable - Long-term
Deferred Charges - Debt Issuance Cost
Capital Lease Receivable
Assets Not Depreciated:
Land
Construction in Progress
Assets Net of Accumulated Depreciation:
Buildings and Improvements
Machinery and Equipment
Infrastructure
Total Assets

Exhibit A

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

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		Hancock County School Department
<u>LIABILITIES</u>				
Accounts Payable	\$ 213,333	\$ 261	\$ 213,594	\$ 277,430
Accrued Payroll	12,705	0	12,705	0
Accrued Interest Payable	123,381	0	123,381	0
Payroll Deductions Payable	17,170	5,929	23,099	640
Contracts Payable	116,164	0	116,164	0
Retainage Payable	6,114	0	6,114	0
Due to the State of Tennessee	5,637	966	6,603	0
Other Current Liabilities	4,900	0	4,900	89,271
Deferred Revenue - Property Taxes	1,493,063	0	1,493,063	604,785
Noncurrent Liabilities:				
Due Within One Year	897,529	2,437	899,966	7,500
Due in More Than One Year	14,418,950	9,746	14,428,696	246,963
Total Liabilities	\$ 17,308,946	\$ 19,339	\$ 17,328,285	\$ 1,226,589
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 16,131,390	\$ 0	\$ 16,131,390	\$ 0
Invested in Capital Assets	0	346,148	346,148	12,117,326
Restricted for:				
Public Health and Welfare	69,786	0	69,786	0
Highways	1,052,792	0	1,052,792	0
Debt Service	1,538,701	0	1,538,701	0
Capital Projects	218,601	0	218,601	0
Education	0	0	0	438,768
Other	62,697	0	62,697	0
Unrestricted	(8,630,795)	1,077,672	(7,553,123)	2,392,780
Total Net Assets	\$ 10,443,172	\$ 1,423,820	\$ 11,866,992	\$ 14,948,874

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, 2012

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	Governmental Activities	Business-type Activities	Total	Hancock County School Department	
Primary Government:												
Governmental Activities:												
General Government	\$ 770,995	\$ 30,839	\$ 30,822	\$ 50,000	\$ (659,334)	\$ 0	\$ (659,334)	\$ 0	\$ 0	\$ (659,334)	\$ 0	
Finance	479,440	137,205	0	0	(342,235)	0	(342,235)	0	0	(342,235)	0	
Administration of Justice	324,186	196,684	4,500	0	(123,002)	0	(123,002)	0	0	(123,002)	0	
Public Safety	1,981,417	876,648	225,694	0	(879,075)	0	(879,075)	0	0	(879,075)	0	
Public Health and Welfare	1,638,681	983,521	103,245	459,262	(92,653)	0	(92,653)	0	0	(92,653)	0	
Social, Cultural, and Recreational Services	86,732	0	0	0	(86,732)	0	(86,732)	0	0	(86,732)	0	
Agriculture and Natural Resources	48,824	0	0	0	(48,824)	0	(48,824)	0	0	(48,824)	0	
Other Operations	350,407	174,177	147,854	0	(28,376)	0	(28,376)	0	0	(28,376)	0	
Highways	1,898,357	48,588	1,277,178	192,475	(380,116)	0	(380,116)	0	0	(380,116)	0	
Education	110,800	0	0	0	(110,800)	0	(110,800)	0	0	(110,800)	0	
Interest on Long-term Debt	307,689	0	0	0	(307,689)	0	(307,689)	0	0	(307,689)	0	
Debt Service	55,259	0	0	0	(55,259)	0	(55,259)	0	0	(55,259)	0	
Total Governmental Activities	\$ 8,052,787	\$ 2,447,662	\$ 1,789,293	\$ 701,737	\$ (3,114,095)	\$ 0	\$ (3,114,095)	\$ 0	\$ (3,114,095)	\$ 0	\$ 0	
Business-type Activities:												
Home Health	\$ 2,047,822	\$ 2,285,399	\$ 0	\$ 0	\$ 0	\$ 237,577	\$ 237,577	\$ 0	\$ 237,577	\$ 237,577	\$ 0	
Total Business-type Activities	\$ 2,047,822	\$ 2,285,399	\$ 0	\$ 0	\$ 0	\$ 237,577	\$ 237,577	\$ 0	\$ 237,577	\$ 237,577	\$ 0	
Total Primary Government	\$ 10,100,609	\$ 4,733,061	\$ 1,789,293	\$ 701,737	\$ (3,114,095)	\$ 237,577	\$ (2,876,518)	\$ 237,577	\$ (2,876,518)	\$ 0	\$ 0	
Component Unit:												
Hancock County School Department	\$ 10,591,119	\$ 123,892	\$ 2,542,571	\$ 110,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,813,856)	\$ (7,813,856)	
Total Component Unit	\$ 10,591,119	\$ 123,892	\$ 2,542,571	\$ 110,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,813,856)	\$ (7,813,856)	

(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	
					Activities	Activities			
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,401,960	\$ 0	\$ 1,401,960	\$	599,643
Property Taxes Levied for Debt Service					80,999	0	80,999		0
Local Option Sales Taxes					56,184	0	56,184		219,364
Wheel Tax					55,877	0	55,877		50,899
Litigation Tax - General					10,982	0	10,982		0
Litigation Tax - Special Purpose					6,165	0	6,165		0
Litigation Tax - Jail, Workhouse, or Courthouse					5,844	0	5,844		0
Litigation Tax - Courtroom Security					812	0	812		0
Business Tax					18,658	0	18,658		0
Wholesale Beer Tax					5,639	0	5,639		2,463
Interstate Telecommunications Tax					302	0	302		379
Grants and Contributions Not Restricted to Specific Programs					1,113,589	0	1,113,589		6,744,849
Unrestricted Investment Income					19,220	0	19,220		964
Miscellaneous					25,317	10,431	35,748		8,623
Total General Revenues					\$ 2,801,548	\$ 10,431	\$ 2,811,979	\$	7,627,184
Transfers					\$ 600,000	\$ (600,000)	\$ 0	\$	0
Change in Net Assets					\$ 287,453	\$ (351,992)	\$ (64,539)	\$	(186,672)
Net Assets, July 1, 2011					10,155,719	1,775,812	11,931,531		15,135,546
Net Assets, June 30, 2012					\$ 10,443,172	\$ 1,423,820	\$ 11,866,992	\$	14,948,874

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, 2012

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,548	\$ 1,548
Equity in Pooled Cash and Investments	1,386,276	838,598	1,632,843	302,386	4,160,103
Accounts Receivable	560,838	3,740	27,317	74	591,969
Allowance for Uncollectibles	(391,353)	0	0	0	(391,353)
Due from Other Governments	242,229	221,866	59	120,036	584,190
Due from Other Funds	1,548	0	0	0	1,548
Property Taxes Receivable	1,311,056	0	92,123	265,495	1,668,674
Allowance for Uncollectible Property Taxes	(92,334)	0	(5,212)	(19,189)	(116,735)
Capital Lease Receivable	0	0	4,665,719	0	4,665,719
Total Assets	\$ 3,018,260	\$ 1,064,204	\$ 6,412,849	\$ 670,350	\$ 11,165,663
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 75,984	\$ 240	\$ 0	\$ 137,109	\$ 213,333
Accrued Payroll	12,705	0	0	0	12,705
Payroll Deductions Payable	17,170	0	0	0	17,170
Contracts Payable	0	0	0	116,164	116,164
Retainage Payable	0	0	0	6,114	6,114
Due to Other Funds	0	0	0	1,548	1,548
Due to State of Tennessee	5,351	0	0	286	5,637
Other Current Liabilities	1,284	3,616	0	0	4,900
Deferred Revenue - Current Property Taxes	1,171,771	0	85,048	236,244	1,493,063
Deferred Revenue - Delinquent Property Taxes	45,532	0	1,807	9,758	57,097
Other Deferred Revenues	219,973	110,933	4,665,739	106	4,996,751
Total Liabilities	\$ 1,549,770	\$ 114,789	\$ 4,752,594	\$ 507,329	\$ 6,924,482
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	\$ 15,372	\$ 0	\$ 0	\$ 0	\$ 15,372
Restricted for Administration of Justice	15,278	0	0	0	15,278
Restricted for Public Safety	25,271	0	0	6,776	32,047
Restricted for Public Health and Welfare	0	0	0	59,922	59,922
Restricted for Highways/Public Works	0	949,415	0	0	949,415
Restricted for Debt Service	0	0	1,660,255	0	1,660,255
Restricted for Capital Projects	0	0	0	218,601	218,601
Unassigned	1,412,569	0	0	(122,278)	1,290,291
Total Fund Balances	\$ 1,468,490	\$ 949,415	\$ 1,660,255	\$ 163,021	\$ 4,241,181
Total Liabilities and Fund Balances	\$ 3,018,260	\$ 1,064,204	\$ 6,412,849	\$ 670,350	\$ 11,165,663

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, 2012

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)		\$	4,241,181
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	412,474	
Add: buildings and improvements net of accumulated depreciation		1,841,452	
Add: machinery and equipment net of accumulated depreciation		411,848	
Add: infrastructure net of accumulated depreciation		<u>13,893,729</u>	16,559,503
(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	\$	(334,133)	
Less: other loans payable		(10,507,570)	
Less: capital leases payable		(135,581)	
Less: bonds payable		(4,209,199)	
Add: deferred charges - debt issuance costs		28,500	
Less: compensated absences payable		(39,296)	
Less: landfill closure/postclosure care costs		(74,041)	
Less: other postemployment benefits liability		(16,659)	
Less: accrued interest on bonds, notes, and capital leases		<u>(123,381)</u>	(15,411,360)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>5,053,848</u>
Net assets of governmental activities (Exhibit A)		\$	<u>10,443,172</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,339,020	\$ 0	\$ 81,607	\$ 238,461	\$ 1,659,088
Licenses and Permits	4,582	0	0	0	4,582
Fines, Forfeitures, and Penalties	59,021	0	0	7,316	66,337
Charges for Current Services	1,005,981	0	0	11,827	1,017,808
Other Local Revenues	104,677	48,588	23,970	11,295	188,530
Fees Received from County Officials	275,142	0	0	0	275,142
State of Tennessee	1,386,929	1,469,653	39	1,645	2,858,266
Federal Government	223,397	0	0	459,262	682,659
Other Governments and Citizens Groups	221,816	0	1,021,186	0	1,243,002
Total Revenues	\$ 4,620,565	\$ 1,518,241	\$ 1,126,802	\$ 729,806	\$ 7,995,414
<u>Expenditures</u>					
Current:					
General Government	\$ 621,769	\$ 0	\$ 0	\$ 0	\$ 621,769
Finance	477,474	0	0	0	477,474
Administration of Justice	312,706	0	0	11,717	324,423
Public Safety	2,025,818	0	0	5,146	2,030,964
Public Health and Welfare	865,253	0	0	257,117	1,122,370
Social, Cultural, and Recreational Services	79,819	0	0	0	79,819
Agriculture and Natural Resources	48,342	0	0	0	48,342
Other Operations	312,497	0	0	0	312,497
Highways	0	1,342,004	0	0	1,342,004
Debt Service:					
Principal on Debt	91,431	0	1,367,062	0	1,458,493
Interest on Debt	7,214	0	313,117	0	320,331
Other Debt Service	0	0	53,059	0	53,059
Capital Projects	0	0	0	858,585	858,585
Total Expenditures	\$ 4,842,323	\$ 1,342,004	\$ 1,733,238	\$ 1,132,565	\$ 9,050,130
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (221,758)	\$ 176,237	\$ (606,436)	\$ (402,759)	\$ (1,054,716)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 275,800	\$ 275,800
Capital Leases Issued	135,581	0	0	0	135,581
Transfers In	600,000	0	667,740	0	1,267,740
Transfers Out	0	0	0	(667,740)	(667,740)
Total Other Financing Sources (Uses)	\$ 735,581	\$ 0	\$ 667,740	\$ (391,940)	\$ 1,011,381
Net Change in Fund Balances					
	\$ 513,823	\$ 176,237	\$ 61,304	\$ (794,699)	\$ (43,335)
Fund Balance, July 1, 2011	954,667	773,178	1,598,951	957,720	4,284,516
Fund Balance, June 30, 2012	\$ 1,468,490	\$ 949,415	\$ 1,660,255	\$ 163,021	\$ 4,241,181

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, 2012

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)		\$ (43,335)
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 300,581	
Less: current-year depreciation expense	<u>(761,567)</u>	(460,986)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 5,053,848	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(5,309,022)</u>	(255,174)
<p>(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:</p>		
Less: note proceeds	\$ (275,800)	
Less: capital lease proceeds	(135,581)	
Less: change in deferred debt issuance costs	(2,200)	
Add: principal payments on bonds	486,063	
Add: principal payments on notes	56,825	
Add: principal payments on other loans	881,000	
Add: principal payments on capital leases	<u>34,606</u>	1,044,913
<p>(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.</p>		
Change in accrued interest payable	\$ 12,642	
Change in compensated absences payable	7,787	
Change in other postemployment benefits liability	(16,659)	
Change in landfill closure/postclosure care costs	<u>(1,735)</u>	2,035
Change in net assets of governmental activities (Exhibit B)		<u>\$ 287,453</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, 2012

Business-type
 Activities -
 Major
 Enterprise
 Fund

 Home
 Health
 Fund

ASSETS

Current Assets:	
Equity in Pooled Cash and Investments	\$ 946,804
Accounts Receivable	195,246
Allowance for Uncollectibles	(45,039)
Total Current Assets	<u>\$ 1,097,011</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 26,350
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	319,798
Total Noncurrent Assets	<u>\$ 346,148</u>
Total Assets	<u>\$ 1,443,159</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 261
Payroll Deductions Payable	5,929
Due to the State of Tennessee	966
Current Portion of Long-term Liabilities	2,437
Total Current Liabilities	<u>\$ 9,593</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 9,746
Total Noncurrent Liabilities	<u>\$ 9,746</u>
Total Liabilities	<u>\$ 19,339</u>

NET ASSETS

Invested in Capital Assets	\$ 346,148
Unrestricted	1,077,672
Net Assets	<u>\$ 1,423,820</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, 2012

	Business-type Activities - Major Enterprise Fund
	Home Health Fund
	<hr/>
<u>Operating Revenues</u>	
Patient Charges	\$ 2,256,972
Sale of Material and Supplies	28,427
Miscellaneous Refunds	10,431
Total Operating Revenues	<hr/> \$ 2,295,830 <hr/>
<u>Operating Expenses</u>	
<u>Cost of Sales and Services</u>	
Supervisors/Directors	\$ 250,865
Medical Personnel	629,362
Clerical Personnel	53,437
Custodial Personnel	5,638
Board and Committee Members Fees	2,700
In-service Training	1,630
Social Security	58,027
Employee and Dependent Insurance	59,521
Unemployment Compensation	4,215
Employer Medicare	13,615
Advertising	1,494
Communication	22,555
Contributions	820
Dues and Memberships	6,948
Operating Lease Payments	1,495
Legal Notices, Recording, and Court Costs	337
Licenses	1,890
Maintenance and Repair Services - Buildings	1,414
Maintenance and Repair Services - Office Equipment	254
Maintenance and Repair Services - Vehicles	844
Medical and Dental Services	33,844
Printing, Stationery, and Forms	1,399
Postal Charges	2,982
Rentals	18,000
Travel	102,739
Other Contracted Services	614,764
Custodial Supplies	1,396
Drugs and Medical Supplies	92,226
Electricity	7,434
General Construction Materials	6

(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
	Home Health Fund
<u>Operating Expenses (Cont.)</u>	
<u>Cost of Sales and Services (Cont.)</u>	
Gasoline	\$ 1,989
Office Supplies	17,860
Uniforms	614
Water and Sewer	3,363
Other Supplies and Materials	2,213
Liability Insurance	5,345
Refunds	5,535
Vehicle and Equipment Insurance	1,374
Premium on Corporate Surety Bonds	261
Depreciation	8,562
Other Charges	5,517
Office Equipment	3,338
Total Operating Expenses	<u>\$ 2,047,822</u>
Operating Income (Loss)	<u>\$ 248,008</u>
Income (Loss) Before Transfers	\$ 248,008
Transfers Out	<u>(600,000)</u>
Change in Net Assets	\$ (351,992)
Net Assets, July 1, 2011	<u>1,775,812</u>
Net Assets, June 30, 2012	<u>\$ 1,423,820</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, 2012

	Business-type Activities - Major Enterprise Fund <hr/> Home Health Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 2,319,052
Payments to Employees and Board Members	(939,197)
Payments for Fringe Benefits	(130,368)
Payments to Suppliers	(975,317)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 274,170 <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to Other Funds	\$ (600,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$ (600,000) <hr/>
Increase (Decrease) in Cash	\$ (325,830)
Cash, July 1, 2011	<hr/> 1,272,634 <hr/>
Cash, June 30, 2012	<hr/> <hr/> \$ 946,804 <hr/> <hr/>

(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)	\$ 248,008
Adjustments to Reconcile Net Operating Income (Loss)	
to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	8,562
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1,484)
Increase (Decrease) in Allowance for Uncollectibles	39,226
Increase (Decrease) in Accounts Payable and Other Current Liabilities	(22,947)
Increase (Decrease) in Compensated Absences	<u>2,805</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 274,170</u>
<u>Reconciliation of Cash with the Statement of Net Assets</u>	
Equity in Pooled Cash and Investments Per Net Assets	<u>\$ 946,804</u>
Cash, June 30, 2012	<u><u>\$ 946,804</u></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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 463,794
Equity in Pooled Cash and Investments	342,170
Accounts Receivable	3,864
Due from Other Governments	26,075
Prepaid Items	<u>2,607</u>
Total Assets	<u><u>\$ 838,510</u></u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 688
Due to Other Taxing Units	374,028
Due to Litigants, Heirs, and Others	<u>463,794</u>
Total Liabilities	<u><u>\$ 838,510</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, 2012

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.

Hancock County issues all debt for the discretely presented Hancock County School Department. Net debt issues totaling \$110,800 were contributed by the county to the School Department during the year ended June 30, 2012.

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.

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.

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 3.86 percent of total taxes levied.

Capital leases receivable in the General Debt Service Fund represent funds loaned to a health care organization that operates the hospital. These receivables are offset with deferred revenue.

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. Other current liabilities in the School Department's General Purpose School Fund represent amounts in the teachers' insurance clearing account (\$87,744) and the school board members' scholarship account (\$1,527) at June 30, 2012.

Retainage payable in the primary government's nonmajor governmental funds represents the amount withheld from payments made on a construction contract pending completion of the project.

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

3. 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.

4. 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.

5. 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 \$62,697, with the primary restrictions being for computer systems for various offices (\$25,010), courthouse and jail maintenance (\$22,696), unexpended grant proceeds (\$5,558) and drug control (\$6,776).

As of June 30, 2012, Hancock County had \$10,092,651 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). The County Commission and the Board of Education are authorized bodies to make assignments.

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.

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.

At June 30, 2012, Hancock County reported an encumbrance of \$189,028 in the General Capital Projects Fund for a construction project.

B. Fund Deficit

The General Capital Projects Fund of the primary government had a negative unassigned fund balance of \$122,278 at June 30, 2012. This deficit resulted from the recognition of liabilities for construction contract and retainage payable. Funding for this negative unassigned fund balance will be provided by a FastTrack Infrastructure Development Program state grant.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in certain major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>Primary Government:</u>	
General:	
Sheriff's Department	\$ 361
Jail	44,184
Interest on Debt - General Government	523
 <u>Discretely Presented School Department:</u>	
General Purpose School:	
Special Education Program	99
Regular Capital Outlay	1,218

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances and greater than anticipated revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2012.

B. Lease Receivable/Long-term Note Receivable

Primary Government

The General Debt Service Fund had a lease receivable totaling \$4,665,719 at June 30, 2012. 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 7-1-11	Retired	Balance 6-30-12
Hospital Bond (A)	\$ 4,320,000	\$ 240,000	\$ 4,080,000
Hospital Bond (B)	90,000	30,000	60,000
Other Loans	550,146	24,427	525,719
Total	\$ 4,960,146	\$ 294,427	\$ 4,665,719

In the financial statements of the General Debt Service Fund, revenues of \$550,510 have been recognized from Wellmont during the year. This amount includes \$516,862 in current payments under the agreement and \$33,648 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. Three 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 \$12,368 on June 30, 2012. 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, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Depreciated:			
Land	\$ 370,174	\$ 42,300	\$ 412,474
Total Capital Assets Not Depreciated	<u>\$ 370,174</u>	<u>\$ 42,300</u>	<u>\$ 412,474</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,455,585	\$ 122,700	\$ 3,578,285
Machinery and Equipment	2,445,465	135,581	2,581,046
Infrastructure	21,402,915	0	21,402,915
Total Capital Assets Depreciated	<u>\$ 27,303,965</u>	<u>\$ 258,281</u>	<u>\$ 27,562,246</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,648,398	\$ 88,435	\$ 1,736,833
Machinery and Equipment	2,031,139	138,059	2,169,198
Infrastructure	6,974,113	535,073	7,509,186
Total Accumulated Depreciation	<u>\$ 10,653,650</u>	<u>\$ 761,567</u>	<u>\$ 11,415,217</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,650,315</u>	<u>\$ (503,286)</u>	<u>\$ 16,147,029</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,020,489</u>	<u>\$ (460,986)</u>	<u>\$ 16,559,503</u>

There were no decreases in capital assets to report during the year ended June 30, 2012.

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

Governmental Activities:

General Government	\$	10,620
Finance		1,664
Public Safety		87,847
Public Health and Welfare		61,192
Social, Cultural, and Recreational Services		6,500
Agriculture and Natural Resources		482
Other Operations		36,097
Highway/Public Works		<u>557,165</u>
 Total Depreciation Expense - Governmental Activities		 <u><u>\$ 761,567</u></u>

Business-type Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
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	\$ 14,106	\$ 8,562	\$ 22,668
Total Accumulated Depreciation	<u>\$ 14,106</u>	<u>\$ 8,562</u>	<u>\$ 22,668</u>
Total Capital Assets Depreciated, Net	<u>\$ 328,360</u>	<u>\$ (8,562)</u>	<u>\$ 319,798</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 354,710</u></u>	<u><u>\$ (8,562)</u></u>	<u><u>\$ 346,148</u></u>

There were no decreases in capital assets to report during the year ended June 30, 2012.

Depreciation expense totaling \$8,562 was charged to the Home Health Fund (enterprise fund).

Discretely Presented Hancock County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 453,150	\$ 0	\$ 0	\$ 453,150
Construction in Progress	0	35,724	0	35,724
Total Capital Assets Not Depreciated	\$ 453,150	\$ 35,724	\$ 0	\$ 488,874
Capital Assets Depreciated:				
Buildings and Improvements	\$ 15,573,433	\$ 0	\$ 0	\$ 15,573,433
Machinery and Equipment	1,531,296	291,332	66,000	1,756,628
Total Capital Assets Depreciated	\$ 17,104,729	\$ 291,332	\$ 66,000	\$ 17,330,061
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,280,111	\$ 415,069	\$ 0	\$ 4,695,180
Machinery and Equipment	945,010	113,953	52,534	1,006,429
Total Accumulated Depreciation	\$ 5,225,121	\$ 529,022	\$ 52,534	\$ 5,701,609
Total Capital Assets Depreciated, Net	\$ 11,879,608	\$ (237,690)	\$ 13,466	\$ 11,628,452
Governmental Activities Capital Assets, Net	\$ 12,332,758	\$ (201,966)	\$ 13,466	\$ 12,117,326

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

Governmental Activities:

Instruction	\$	415,069
Support Services		94,707
Operation of Non-Instructional Services		<u>19,246</u>
Total Depreciation Expense - Governmental Activities	\$	<u>529,022</u>

D. Construction Commitments

At June 30, 2012, the primary government had an uncompleted construction contract of approximately \$189,028 for an industrial project. Funding for these future expenditures is expected to be received from a FastTrack Infrastructure Development Program state grant.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 1,548
Discretely Presented School Department: Nonmajor governmental	General Purpose School	14,290

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, 2012, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Fund</u>	<u>General Debt Service Fund</u>
Home Health Fund	\$ 600,000	\$ 0
Nonmajor governmental funds	0	667,740
Total	<u>\$ 600,000</u>	<u>\$ 667,740</u>

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

F. Capital Lease

On May 3, 2012, Hancock County entered into a three-year lease-purchase agreement for patrol vehicles. The terms of the agreement require total lease payments of \$135,581 plus interest of 6.1 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:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 135,581
Less: Accumulated Depreciation	<u>(4,519)</u>
Total Book Value	<u>\$ 131,062</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 37,338
2014	37,338
2015	37,338
2016	<u>37,339</u>
Total Minimum Lease Payments	\$ 149,353
Less: Amount Representing Interest	<u>(13,772)</u>
Present Value of Minimum Lease Payments	<u>\$ 135,581</u>

G. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to five 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, 2012, will be retired from the General Debt Service Fund. Notes payable included in long-term debt as of June 30, 2012, 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, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	4.6 to 5.6%	3-26-36	\$6,385,000	\$4,209,199
Capital Outlay Notes	2 to 4.74	11-3-16	363,300	334,133
Other Loans	Variable	5-25-28	13,650,000	10,507,570
Capital Leases	6.1	7-3-15	135,581	135,581

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. During the year, Hancock County retired the \$945,000 jail construction loan. The remaining two 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, 2012, the variable interest rate and other fees for the other loan agreements were as follows:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-12	Interest Type	Interest Rates as of 6-30-12	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan	\$ 12,000,000	\$ 9,510,000	Variable	.55%	0.45%
School Construction and Hospital Equipment Loan	1,650,000	<u>997,570</u>	Variable	.45	1.42
Total		<u>\$ 10,507,570</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 271,584	\$ 237,825	\$ 509,409
2014	271,661	223,323	494,984
2015	241,742	207,615	449,357
2016	241,827	193,903	435,730
2017	241,916	180,188	422,104
2018-2022	1,211,073	695,792	1,906,865
2023-2027	1,214,048	351,553	1,565,601
2028-2032	497,824	47,841	545,665
2033-2036	17,524	2,304	19,828
Total	<u>\$ 4,209,199</u>	<u>\$ 2,140,344</u>	<u>\$ 6,349,543</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 116,460	\$ 9,340	\$ 125,800
2014	118,673	5,684	124,357
2015	33,000	1,980	34,980
2016	33,000	1,320	34,320
2017	33,000	660	33,660
Total	\$ 334,133	\$ 18,984	\$ 353,117

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 454,000	\$ 56,794	\$ 57,210	\$ 568,004
2014	486,000	54,351	54,633	594,984
2015	537,000	51,734	51,891	640,625
2016	559,000	48,837	48,909	656,746
2017	590,000	45,822	45,808	681,630
2018-2022	3,489,000	177,364	176,660	3,843,024
2023-2027	4,372,000	73,447	73,255	4,518,702
2028	20,570	93	293	20,956
Total	\$ 10,507,570	\$ 508,442	\$ 508,659	\$ 11,524,671

There is \$1,660,255 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$617, based on the 2010 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$2,227, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2011	\$ 4,695,262	\$ 115,158	\$ 34,606
Additions	0	275,800	135,581
Deductions	(486,063)	(56,825)	(34,606)
Balance, June 30, 2012	\$ 4,209,199	\$ 334,133	\$ 135,581
Balance Due Within One Year	\$ 271,584	\$ 116,460	\$ 35,960

Governmental Activities (Cont.):

	Landfill Postclosure Care Costs	Other Loans	Compensated Absences
Balance, July 1, 2011	\$ 72,306	\$ 11,388,570	\$ 47,083
Additions	5,503	0	15,651
Deductions	(3,768)	(881,000)	(23,438)
	<hr/>		
Balance, June 30, 2012	\$ 74,041	\$ 10,507,570	\$ 39,296
	<hr/> <hr/>		
Balance Due Within One Year	\$ 3,806	\$ 454,000	\$ 15,719
	<hr/> <hr/>		

	Other Postemployment Benefits
Balance, July 1, 2011	\$ 0
Additions	20,000
Deductions	(3,341)
	<hr/>
Balance, June 30, 2012	\$ 16,659
	<hr/> <hr/>
Balance Due Within One Year	\$ 0
	<hr/> <hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 15,316,479
Less: Balance Due Within One Year	(897,529)
	<hr/>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 14,418,950
	<hr/> <hr/>

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 Fund (enterprise fund)

Long-term liability activity for the Home Health Fund (enterprise fund) for the year ended June 30, 2012, was as follows:

Business-type Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2011	\$ 9,378
Additions	4,681
Deductions	<u>(1,876)</u>
Balance, June 30, 2012	<u>\$ 12,183</u>
Balance Due Within One Year	<u>\$ 2,437</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, 2012, was as follows:

	<u>Other Postemployment Benefits</u>	<u>Claims and Judgments Payable</u>
Balance, July 1, 2011	\$ 163,142	\$ 15,000
Additions	108,599	0
Deductions	<u>(24,778)</u>	<u>(7,500)</u>
Balance, June 30, 2012	<u>\$ 246,963</u>	<u>\$ 7,500</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 7,500</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 254,463
Less: Balance Due Within One Year	<u>(7,500)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 246,963</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 (\$7,500) outstanding at June 30, 2012, will be retired from the General Purpose School Fund.

H. Pledges of Future Revenues

The Board of Education pledged, by resolution, a minimum of \$541,000 per year for the next 15 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 \$465,719 to the General Debt Service Fund.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$17,807 and \$10,131, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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.

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.

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

fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

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. Subsequent Events

Subsequent to June 30, 2012, Hancock County issued a capital outlay note to purchase an ambulance for \$93,529 at 3.39 percent interest.

On July 20, 2012, Hancock County entered into a construction contract totaling \$561,000 for the construction of an industrial building.

On August 27, 2012, the County Commission approved the issuance of tax anticipation notes totaling \$250,000 to provide temporary operating funds for the General and Solid Waste/Sanitation funds.

C. 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 \$74,041 reported as postclosure liability at June 30, 2012, represents amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

D. 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, 2012, 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

E. 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.

F. Retirement Commitments

Information for this footnote for the year ended June 30, 2012, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2011.

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.

G. Other Postemployment Benefits (OPEB)

Plan Description

Hancock County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members had 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 each 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 does not provide a subsidy for local government participants; however, the state does provide 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 county does not pay any portion of retirees' insurance premiums. Their premiums, less amounts contributed by the state, are paid entirely by the retirees.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 109,000	\$ 20,000
Interest on the NPO	6,526	0
Adjustment to the ARC	(6,927)	0
Annual OPEB cost	\$ 108,599	\$ 20,000
Amount of contribution	(24,778)	(3,341)
Increase/decrease in NPO	\$ 83,821	\$ 16,659
Net OPEB obligation, 7-1-11	163,142	0
Net OPEB obligation, 6-30-12	\$ 246,963	\$ 16,659

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 73,178	42	% \$ 117,505
6-30-11	"	76,279	40	163,142
6-30-12	"	108,599	23	246,963
6-30-12	Local Government Group*	20,000	17	16,659

* Data only available for one year.

Funded Status and Funding Progress

The funded status of the plans as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 820,000	\$ 29,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 820,000	\$ 29,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 4,283,405	\$ 3,598,470
UAAL as a % of covered payroll	19.14%	0.81%

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, 2011, actuarial valuation for the Local Government and Local Education Group plans, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for both plans was 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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.

H. 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 and Budget
General Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,339,020	\$ 1,262,846	\$ 1,262,846	\$ 76,174
Licenses and Permits	4,582	0	0	4,582
Fines, Forfeitures, and Penalties	59,021	54,177	54,177	4,844
Charges for Current Services	1,005,981	735,000	735,000	270,981
Other Local Revenues	104,677	60,000	60,525	44,152
Fees Received from County Officials	275,142	236,057	236,057	39,085
State of Tennessee	1,386,929	928,929	1,081,385	305,544
Federal Government	223,397	195,546	195,546	27,851
Other Governments and Citizens Groups	221,816	100,800	145,800	76,016
Total Revenues	<u>\$ 4,620,565</u>	<u>\$ 3,573,355</u>	<u>\$ 3,771,336</u>	<u>\$ 849,229</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 81,813	\$ 100,010	\$ 100,010	\$ 18,197
Board of Equalization	1,200	1,000	1,200	0
County Mayor/Executive	119,021	147,160	150,010	30,989
County Attorney	15,000	15,000	15,000	0
Election Commission	81,656	92,646	92,646	10,990
Register of Deeds	98,429	110,304	110,304	11,875
County Buildings	224,650	172,050	232,289	7,639
<u>Finance</u>				
Purchasing	64,390	69,311	69,311	4,921
Property Assessor's Office	113,625	117,240	115,740	2,115
Reappraisal Program	23,878	24,800	26,300	2,422
County Trustee's Office	116,335	136,728	133,878	17,543
County Clerk's Office	120,790	130,736	130,736	9,946
Other Finance	38,456	40,000	40,000	1,544
<u>Administration of Justice</u>				
Circuit Court	137,241	169,546	169,546	32,305
General Sessions Court	74,357	77,097	77,097	2,740
Chancery Court	101,108	112,089	112,089	10,981
District Attorney General	0	16,000	0	0
<u>Public Safety</u>				
Sheriff's Department	712,958	577,016	712,597	(361)
Jail	1,200,683	937,035	1,156,499	(44,184)
Juvenile Services	14,610	57,205	57,205	42,595
Commissary	36,472	51,774	51,774	15,302
Civil Defense	27,814	38,660	38,660	10,846
Rescue Squad	1,361	1,400	1,400	39

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
County Coroner/Medical Examiner	\$ 30,887	\$ 15,000	\$ 31,000	\$ 113
Other Public Safety	1,033	6,700	6,700	5,667
<u>Public Health and Welfare</u>				
Local Health Center	60,104	60,000	61,410	1,306
Ambulance/Emergency Medical Services	727,920	740,310	808,239	80,319
Alcohol and Drug Programs	23,098	49,959	49,959	26,861
Crippled Children Services	415	415	415	0
Other Local Health Services	15,352	41,500	41,500	26,148
Sanitation Management	38,282	29,237	38,799	517
Other Public Health and Welfare	82	9,494	15,134	15,052
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	7,959	7,800	7,959	0
Libraries	71,860	58,590	73,413	1,553
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	27,732	49,930	49,930	22,198
Soil Conservation	20,610	19,440	20,760	150
<u>Other Operations</u>				
Public Transportation	301,997	289,755	308,735	6,738
Veterans' Services	10,500	7,480	10,530	30
<u>Principal on Debt</u>				
General Government	91,431	91,431	91,431	0
<u>Interest on Debt</u>				
General Government	7,214	6,691	6,691	(523)
Total Expenditures	\$ 4,842,323	\$ 4,678,539	\$ 5,216,896	\$ 374,573
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (221,758)	\$ (1,105,184)	\$ (1,445,560)	\$ 1,223,802
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 135,581	\$ 0	\$ 135,581	\$ 0
Transfers In	600,000	650,000	650,000	(50,000)
Total Other Financing Sources (Uses)	\$ 735,581	\$ 650,000	\$ 785,581	\$ (50,000)
Net Change in Fund Balance				
Fund Balance, July 1, 2011	\$ 513,823	\$ (455,184)	\$ (659,979)	\$ 1,173,802
	954,667	455,184	812,436	142,231
Fund Balance, June 30, 2012				
	\$ 1,468,490	\$ 0	\$ 152,457	\$ 1,316,033

Exhibit F-2

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 48,588	\$ 0	\$ 0	\$ 48,588
State of Tennessee	1,469,653	1,249,197	1,441,672	27,981
Total Revenues	<u>\$ 1,518,241</u>	<u>\$ 1,249,197</u>	<u>\$ 1,441,672</u>	<u>\$ 76,569</u>
<u>Expenditures</u>				
<u>Finance</u>				
Data Processing	\$ 0	\$ 10,000	\$ 0	\$ 0
<u>Highways</u>				
Administration	429,677	472,351	482,351	52,674
Highway and Bridge Maintenance	363,136	1,037,868	989,668	626,532
Operation and Maintenance of Equipment	158,992	140,240	170,240	11,248
Other Charges	61,810	61,952	64,952	3,142
Employee Benefits	133,777	130,560	145,760	11,983
Capital Outlay	194,612	54,300	246,775	52,163
Total Expenditures	<u>\$ 1,342,004</u>	<u>\$ 1,907,271</u>	<u>\$ 2,099,746</u>	<u>\$ 757,742</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 176,237</u>	<u>\$ (658,074)</u>	<u>\$ (658,074)</u>	<u>\$ 834,311</u>
Net Change in Fund Balance	\$ 176,237	\$ (658,074)	\$ (658,074)	\$ 834,311
Fund Balance, July 1, 2011	<u>773,178</u>	<u>658,074</u>	<u>658,074</u>	<u>115,104</u>
Fund Balance, June 30, 2012	<u>\$ 949,415</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 949,415</u>

Exhibit F-3

Hancock County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hancock County School Department
June 30, 2012

(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

* - Information for July 1, 2011 was not available from the state Treasurer's Office in time for inclusion in this report; therefore, only two years are presented.

Exhibit F-4

Hancock County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hancock County School Department
June 30, 2012

(Dollar amounts in thousands)

Plans	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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group*	7-1-11	\$ 0	\$ 29	\$ 29	0 %	\$ 3,598	1 %
<u>DISCRETELY PRESENTED HANCOCK COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	667	667	0	4,640	14
"	7-1-10	0	692	692	0	4,712	15
"	7-1-11	0	820	820	0	4,283	19

*Data only available for one actuarial valuation.

HANCOCK COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

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>
Sheriff's Department	\$ 361
Jail	44,184
Interest on Debt - General Government	523

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 Funds

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, 2012

	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	1,548	0	0	0	1,548
Equity in Pooled Cash and Investments	77,009	6,776	0	1,000	217,601	218,601	302,386
Accounts Receivable	74	0	0	0	0	0	74
Due from Other Governments	1,015	0	0	119,021	0	119,021	120,036
Property Taxes Receivable	265,495	0	0	0	0	0	265,495
Allowance for Uncollectible Property Taxes	(19,189)	0	0	0	0	0	(19,189)
Total Assets	\$ 324,404	\$ 6,776	\$ 1,548	\$ 120,021	\$ 217,601	\$ 337,622	\$ 670,350

ASSETS

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

LIABILITIES AND FUND BALANCES

	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	
\$	18,088	0	0	119,021	0	119,021	137,109
Accounts Payable	0	0	0	116,164	0	116,164	116,164
Contracts Payable	0	0	0	6,114	0	6,114	6,114
Retainage Payable	0	0	1,548	0	0	0	1,548
Due to State of Tennessee	286	0	0	0	0	0	286
Deferred Revenue - Current Property Taxes	236,244	0	0	0	0	0	236,244
Deferred Revenue - Delinquent Property Taxes	9,758	0	0	0	0	0	9,758
Other Deferred Revenues	106	0	106	0	0	0	106
Total Liabilities	\$ 264,482	\$ 0	\$ 1,548	\$ 241,299	\$ 0	\$ 241,299	\$ 507,329
<u>Fund Balances</u>							
Restricted:							
Restricted for Public Safety	0	6,776	0	0	0	0	6,776
Restricted for Public Health and Welfare	59,922	0	0	0	0	0	59,922
Restricted for Capital Projects	0	0	0	1,000	217,601	218,601	218,601
Unassigned	0	0	0	(122,278)	0	(122,278)	(122,278)
Total Fund Balances	\$ 59,922	\$ 6,776	\$ 0	\$ 66,698	\$ (121,278)	\$ 96,323	\$ 163,021
Total Liabilities and Fund Balances	\$ 324,404	\$ 6,776	\$ 1,548	\$ 332,728	\$ 217,601	\$ 337,622	\$ 670,350

Total Liabilities and Fund Balances

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, 2012

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constit- utional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
Revenues								
Local Taxes	\$ 238,461	\$ 0	\$ 0	\$ 238,461	\$ 0	\$ 0	\$ 0	\$ 238,461
Fines, Forfeitures, and Penalties	0	7,316	0	7,316	0	0	0	7,316
Charges for Current Services	110	0	11,717	11,827	0	0	0	11,827
Other Local Revenues	5,708	0	0	5,708	1,000	4,587	5,587	11,295
State of Tennessee	1,645	0	0	1,645	0	0	0	1,645
Federal Government	0	0	0	0	459,262	0	0	459,262
Total Revenues	\$ 245,924	\$ 7,316	\$ 11,717	\$ 264,957	\$ 460,262	\$ 4,587	\$ 464,849	\$ 729,806
Expenditures								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 11,717	\$ 11,717	\$ 0	\$ 0	\$ 0	\$ 11,717
Public Safety	0	5,146	0	5,146	0	0	0	5,146
Public Health and Welfare	257,117	0	0	257,117	0	0	0	257,117
Capital Projects	0	0	0	0	858,585	0	858,585	858,585
Total Expenditures	\$ 257,117	\$ 5,146	\$ 11,717	\$ 273,980	\$ 858,585	\$ 0	\$ 858,585	\$ 1,132,565
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,193)	\$ 2,170	\$ 0	\$ (9,023)	\$ (398,323)	\$ 4,587	\$ (393,736)	\$ (402,759)
Other Financing Sources (Uses)								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 275,800	\$ 0	\$ 275,800	\$ 275,800
Transfers Out	0	0	0	0	0	(667,740)	(667,740)	(667,740)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 275,800	\$ (667,740)	\$ (391,940)	\$ (391,940)
Net Change in Fund Balances	\$ (11,193)	\$ 2,170	\$ 0	\$ (9,023)	\$ (122,523)	\$ (663,153)	\$ (785,676)	\$ (794,699)
Fund Balance, July 1, 2011	71,115	4,606	0	75,721	1,245	880,754	881,999	957,720
Fund Balance, June 30, 2012	\$ 59,922	\$ 6,776	\$ 0	\$ 66,698	\$ (121,278)	\$ 217,601	\$ 96,323	\$ 163,021

Exhibit G-3

Hancock County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 238,461	\$ 232,500	\$ 232,500	\$ 5,961
Charges for Current Services	110	0	0	110
Other Local Revenues	5,708	5,000	5,000	708
State of Tennessee	1,645	0	0	1,645
Total Revenues	<u>\$ 245,924</u>	<u>\$ 237,500</u>	<u>\$ 237,500</u>	<u>\$ 8,424</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 257,117	\$ 304,550	\$ 304,550	\$ 47,433
Total Expenditures	<u>\$ 257,117</u>	<u>\$ 304,550</u>	<u>\$ 304,550</u>	<u>\$ 47,433</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,193)</u>	<u>\$ (67,050)</u>	<u>\$ (67,050)</u>	<u>\$ 55,857</u>
Net Change in Fund Balance	\$ (11,193)	\$ (67,050)	\$ (67,050)	\$ 55,857
Fund Balance, July 1, 2011	<u>71,115</u>	<u>71,100</u>	<u>71,100</u>	<u>15</u>
Fund Balance, June 30, 2012	<u>\$ 59,922</u>	<u>\$ 4,050</u>	<u>\$ 4,050</u>	<u>\$ 55,872</u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 7,316	\$ 0	\$ 3,500	\$ 3,816
Total Revenues	\$ 7,316	\$ 0	\$ 3,500	\$ 3,816
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 5,146	\$ 2,000	\$ 5,500	\$ 354
Total Expenditures	\$ 5,146	\$ 2,000	\$ 5,500	\$ 354
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,170	\$ (2,000)	\$ (2,000)	\$ 4,170
Net Change in Fund Balance	\$ 2,170	\$ (2,000)	\$ (2,000)	\$ 4,170
Fund Balance, July 1, 2011	4,606	2,000	2,000	2,606
Fund Balance, June 30, 2012	\$ 6,776	\$ 0	\$ 0	\$ 6,776

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 81,607	\$ 54,109	\$ 54,109	\$ 27,498
Other Local Revenues	23,970	75,000	75,000	(51,030)
State of Tennessee	39	0	0	39
Other Governments and Citizens Groups	1,021,186	1,114,835	1,114,835	(93,649)
Total Revenues	<u>\$ 1,126,802</u>	<u>\$ 1,243,944</u>	<u>\$ 1,243,944</u>	<u>\$ (117,142)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 961,993	\$ 370,340	\$ 961,994	\$ 1
Education	405,069	405,069	405,069	0
<u>Interest on Debt</u>				
General Government	269,640	301,574	304,203	34,563
Education	43,477	200,000	200,000	156,523
<u>Other Debt Service</u>				
General Government	5,686	18,000	18,000	12,314
Education	47,373	55,000	55,000	7,627
Total Expenditures	<u>\$ 1,733,238</u>	<u>\$ 1,349,983</u>	<u>\$ 1,944,266</u>	<u>\$ 211,028</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (606,436)</u>	<u>\$ (106,039)</u>	<u>\$ (700,322)</u>	<u>\$ 93,886</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 667,740	\$ 0	\$ 594,243	\$ 73,497
Total Other Financing Sources (Uses)	<u>\$ 667,740</u>	<u>\$ 0</u>	<u>\$ 594,243</u>	<u>\$ 73,497</u>
Net Change in Fund Balance	\$ 61,304	\$ (106,039)	\$ (106,079)	\$ 167,383
Fund Balance, July 1, 2011	<u>1,598,951</u>	<u>1,598,951</u>	<u>1,598,951</u>	<u>0</u>
Fund Balance, June 30, 2012	<u>\$ 1,660,255</u>	<u>\$ 1,492,912</u>	<u>\$ 1,492,872</u>	<u>\$ 167,383</u>

Fiduciary Funds

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due to the 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, 2012

	<u>Agency Funds</u>			
	Cities -	Constitu-	Other	Total
	Sales	tional	Agency	
	Tax	Officers -	Agency	
		Agency		
<u>ASSETS</u>				
Cash	\$ 0	\$ 463,794	\$ 0	\$ 463,794
Equity in Pooled Cash and Investments	0	0	342,170	342,170
Accounts Receivable	0	0	3,864	3,864
Due from Other Governments	26,075	0	0	26,075
Prepaid Items	0	0	2,607	2,607
	<hr/>			
Total Assets	<u>\$ 26,075</u>	<u>\$ 463,794</u>	<u>\$ 348,641</u>	<u>\$ 838,510</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 688	\$ 688
Due to Other Taxing Units	26,075	0	347,953	374,028
Due to Litigants, Heirs, and Others	0	463,794	0	463,794
	<hr/>			
Total Liabilities	<u>\$ 26,075</u>	<u>\$ 463,794</u>	<u>\$ 348,641</u>	<u>\$ 838,510</u>

Exhibit I-2

Hancock County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 163,967	\$ 163,967	\$ 0
Due from Other Governments	26,441	26,075	26,441	26,075
Total Assets	\$ 26,441	\$ 190,042	\$ 190,408	\$ 26,075
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 26,441	\$ 190,042	\$ 190,408	\$ 26,075
Total Liabilities	\$ 26,441	\$ 190,042	\$ 190,408	\$ 26,075
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 415,484	\$ 1,301,172	\$ 1,252,862	\$ 463,794
Total Assets	\$ 415,484	\$ 1,301,172	\$ 1,252,862	\$ 463,794
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 415,484	\$ 1,301,172	\$ 1,252,862	\$ 463,794
Total Liabilities	\$ 415,484	\$ 1,301,172	\$ 1,252,862	\$ 463,794
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 261,782	\$ 227,291	\$ 146,903	\$ 342,170
Accounts Receivable	4,438	3,864	4,438	3,864
Prepaid Items	2,544	2,607	2,544	2,607
Total Assets	\$ 268,764	\$ 233,762	\$ 153,885	\$ 348,641
<u>Liabilities</u>				
Accounts Payable	\$ 539	\$ 688	\$ 539	\$ 688
Due to Other Taxing Units	268,225	233,074	153,346	347,953
Total Liabilities	\$ 268,764	\$ 233,762	\$ 153,885	\$ 348,641

(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	\$ 415,484	\$ 1,301,172	\$ 1,252,862	\$ 463,794
Equity in Pooled Cash and Investments	261,782	391,258	310,870	342,170
Accounts Receivable	4,438	3,864	4,438	3,864
Due from Other Governments	26,441	26,075	26,441	26,075
Prepaid Items	2,544	2,607	2,544	2,607
Total Assets	<u>\$ 710,689</u>	<u>\$ 1,724,976</u>	<u>\$ 1,597,155</u>	<u>\$ 838,510</u>
<u>Liabilities</u>				
Accounts Payable	\$ 539	\$ 688	\$ 539	\$ 688
Due to Other Taxing Units	294,666	423,116	343,754	374,028
Due to Litigants, Heirs, and Others	415,484	1,301,172	1,252,862	463,794
Total Liabilities	<u>\$ 710,689</u>	<u>\$ 1,724,976</u>	<u>\$ 1,597,155</u>	<u>\$ 838,510</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, 2012

Functions/Programs	Program Revenues			Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Total					
Governmental Activities:								
Instruction	\$ 5,284,701	\$	825,163	\$	0	\$		(4,459,113)
Support Services	3,587,334	0	301,623		110,800			(3,174,911)
Operation of Non-Instructional Services	1,253,365	123,467	1,415,785		0			285,887
Other Debt Service	465,719	0	0		0			(465,719)
Total Governmental Activities	\$ 10,591,119	\$ 123,892	\$ 2,542,571	\$	110,800	\$		(7,813,856)
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes								\$ 599,643
Local Option Sales Taxes								219,364
Wheel Tax								50,899
Wholesale Beer Tax								2,463
Interstate Telecommunications Tax								379
Grants and Contributions Not Restricted for Specific Programs								6,744,849
Unrestricted Investment Income								964
Miscellaneous								8,623
Total General Revenues								\$ 7,627,184
Change in Net Assets								\$ (186,672)
Net Assets, July 1, 2011								15,135,546
Net Assets, June 30, 2012								\$ 14,948,874

Exhibit J-2

Hancock County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hancock County School Department
June 30, 2012

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Fund</u>
				<u>Governmental</u>
				<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 1,527	\$ 0	\$ 5,676	\$ 7,203
Equity in Pooled Cash and Investments	2,861,730	84,523	292,404	3,238,657
Accounts Receivable	4,222	0	0	4,222
Due from Other Governments	119,631	2,109	45,313	167,053
Due from Other Funds	0	0	14,290	14,290
Property Taxes Receivable	675,919	0	0	675,919
Allowance for Uncollectible Property Taxes	(47,285)	0	0	(47,285)
Notes Receivable - Long-term	12,368	0	0	12,368
Total Assets	\$ 3,628,112	\$ 86,632	\$ 357,683	\$ 4,072,427
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 269,039	\$ 5,535	\$ 2,856	\$ 277,430
Accrued Payroll	640	0	0	640
Due to Other Funds	14,290	0	0	14,290
Other Current Liabilities	89,271	0	0	89,271
Deferred Revenue - Current Property Taxes	604,785	0	0	604,785
Deferred Revenue - Delinquent Property Taxes	23,128	0	0	23,128
Other Deferred Revenues	29,738	0	0	29,738
Total Liabilities	\$ 1,030,891	\$ 5,535	\$ 2,856	\$ 1,039,282
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 82,844	\$ 1,097	\$ 354,827	\$ 438,768
Committed:				
Committed for Education	0	80,000	0	80,000
Committed for Debt Service	730,944	0	0	730,944
Assigned:				
Assigned for Education	277,440	0	0	277,440
Assigned for Capital Projects	331,630	0	0	331,630
Unassigned	1,174,363	0	0	1,174,363
Total Fund Balances	\$ 2,597,221	\$ 81,097	\$ 354,827	\$ 3,033,145
Total Liabilities and Fund Balances	\$ 3,628,112	\$ 86,632	\$ 357,683	\$ 4,072,427

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, 2012

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)		\$	3,033,145
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	453,150	
Add: construction in progress		35,724	
Add: building and improvements net of accumulated depreciation		10,878,253	
Add: machinery and equipment net of accumulated depreciation		<u>750,199</u>	12,117,326
(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	\$	(7,500)	
Less: other postemployment benefits liability		<u>(246,963)</u>	(254,463)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>52,866</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>14,948,874</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, 2012

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 877,306	\$ 0	\$ 0	\$ 877,306
Licenses and Permits	399	0	0	399
Charges for Current Services	0	0	123,467	123,467
Other Local Revenues	79,776	0	964	80,740
State of Tennessee	7,129,463	0	14,598	7,144,061
Federal Government	8,057	1,495,113	574,827	2,077,997
Other Governments and Citizens Groups	110,800	0	0	110,800
Total Revenues	<u>\$ 8,205,801</u>	<u>\$ 1,495,113</u>	<u>\$ 713,856</u>	<u>\$ 10,414,770</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 3,986,081	\$ 790,946	\$ 0	\$ 4,777,027
Support Services	2,789,145	710,982	0	3,500,127
Operation of Non-Instructional Services	838,178	0	687,273	1,525,451
Capital Outlay	35,724	0	0	35,724
Debt Service:				
Other Debt Service	465,719	0	0	465,719
Total Expenditures	<u>\$ 8,114,847</u>	<u>\$ 1,501,928</u>	<u>\$ 687,273</u>	<u>\$ 10,304,048</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 90,954	\$ (6,815)	\$ 26,583	\$ 110,722
Net Change in Fund Balances	\$ 90,954	\$ (6,815)	\$ 26,583	\$ 110,722
Fund Balance, July 1, 2011	2,506,267	87,912	328,244	2,922,423
Fund Balance, June 30, 2012	<u>\$ 2,597,221</u>	<u>\$ 81,097</u>	<u>\$ 354,827</u>	<u>\$ 3,033,145</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, 2012

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)		\$ 110,722
(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	\$ 327,056	
Less: current-year depreciation expense	<u>(529,022)</u>	(201,966)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets	\$ (8,784)	
Less: proceeds from sale of capital assets	<u>(4,682)</u>	(13,466)
(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, 2012	\$ 52,866	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(58,507)</u>	(5,641)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in judgments payable	\$ 7,500	
Change in other postemployment benefits liability	<u>(83,821)</u>	<u>(76,321)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (186,672)</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 877,306	\$ 879,760	\$ 879,760	\$ (2,454)
Licenses and Permits	399	600	600	(201)
Other Local Revenues	79,776	30,498	54,898	24,878
State of Tennessee	7,129,463	6,233,868	7,133,086	(3,623)
Federal Government	8,057	8,445	9,403	(1,346)
Other Governments and Citizens Groups	110,800	0	110,800	0
Total Revenues	\$ 8,205,801	\$ 7,153,171	\$ 8,188,547	\$ 17,254
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,906,010	\$ 3,041,509	\$ 2,925,137	\$ 19,127
Alternative Instruction Program	47,125	23,941	47,127	2
Special Education Program	622,621	619,165	622,522	(99)
Vocational Education Program	399,604	409,951	400,303	699
Adult Education Program	10,721	10,000	10,723	2
<u>Support Services</u>				
Attendance	84,263	83,329	84,910	647
Health Services	101,098	100,270	101,672	574
Other Student Support	219,141	225,957	222,846	3,705
Regular Instruction Program	311,289	379,487	328,382	17,093
Special Education Program	39,649	43,433	39,649	0
Vocational Education Program	35,051	37,021	37,021	1,970
Adult Programs	1,312	1,261	2,219	907
Other Programs	27,938	0	27,938	0
Board of Education	179,938	192,033	193,257	13,319
Director of Schools	113,559	121,738	117,758	4,199
Office of the Principal	278,717	270,608	279,215	498
Fiscal Services	79,935	80,889	80,688	753
Operation of Plant	579,905	596,317	611,823	31,918
Maintenance of Plant	95,107	93,495	104,919	9,812
Transportation	642,243	487,298	653,925	11,682
<u>Operation of Non-Instructional Services</u>				
Community Services	179,111	0	199,778	20,667
Early Childhood Education	659,067	0	659,109	42
<u>Capital Outlay</u>				
Regular Capital Outlay	35,724	0	34,506	(1,218)
<u>Other Debt Service</u>				
Education	465,719	541,000	541,000	75,281
Total Expenditures	\$ 8,114,847	\$ 7,358,702	\$ 8,326,427	\$ 211,580
Excess (Deficiency) of Revenues Over Expenditures	\$ 90,954	\$ (205,531)	\$ (137,880)	\$ 228,834

(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	\$ 0	\$ 205,531	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 205,531	\$ 0	\$ 0
Net Change in Fund Balance	\$ 90,954	\$ 0	\$ (137,880)	\$ 228,834
Fund Balance, July 1, 2011	2,506,267	0	137,880	2,368,387
Fund Balance, June 30, 2012	\$ 2,597,221	\$ 0	\$ 0	\$ 2,597,221

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,495,113	\$ 1,415,976	\$ 1,706,031	\$ (210,918)
Total Revenues	\$ 1,495,113	\$ 1,415,976	\$ 1,706,031	\$ (210,918)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 547,974	\$ 520,258	\$ 568,558	\$ 20,584
Special Education Program	224,122	215,064	273,608	49,486
Vocational Education Program	18,850	0	18,850	0
<u>Support Services</u>				
Other Student Support	73,220	145,947	148,942	75,722
Regular Instruction Program	623,444	511,372	685,075	61,631
Vocational Education Program	1,000	0	1,000	0
Transportation	13,318	23,335	17,359	4,041
Total Expenditures	\$ 1,501,928	\$ 1,415,976	\$ 1,713,392	\$ 211,464
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,815)	\$ 0	\$ (7,361)	\$ 546
Net Change in Fund Balance	\$ (6,815)	\$ 0	\$ (7,361)	\$ 546
Fund Balance, July 1, 2011	87,912	0	7,361	80,551
Fund Balance, June 30, 2012	\$ 81,097	\$ 0	\$ 0	\$ 81,097

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 123,467	\$ 87,000	\$ 87,000	\$ 36,467
Other Local Revenues	964	0	0	964
State of Tennessee	14,598	12,000	12,000	2,598
Federal Government	574,827	429,400	454,428	120,399
Total Revenues	<u>\$ 713,856</u>	<u>\$ 528,400</u>	<u>\$ 553,428</u>	<u>\$ 160,428</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 687,273	\$ 665,304	\$ 707,317	\$ 20,044
Total Expenditures	<u>\$ 687,273</u>	<u>\$ 665,304</u>	<u>\$ 707,317</u>	<u>\$ 20,044</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,583</u>	<u>\$ (136,904)</u>	<u>\$ (153,889)</u>	<u>\$ 180,472</u>
Net Change in Fund Balance	\$ 26,583	\$ (136,904)	\$ (153,889)	\$ 180,472
Fund Balance, July 1, 2011	<u>328,244</u>	<u>136,904</u>	<u>153,889</u>	<u>174,355</u>
Fund Balance, June 30, 2012	<u>\$ 354,827</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 354,827</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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Ambulance	\$ 80,000	3.76 %	7-18-08	7-18-11	\$ 27,658	\$ 0	\$ 27,658	\$ 0
"	87,500	4.74	8-20-10	8-20-13	87,500	0	29,167	58,333
Courthouse Annex	165,000	2.0	11-3-11	11-3-16	0	165,000	0	165,000
Total Payable through General Fund					\$ 115,158	\$ 165,000	\$ 56,825	\$ 223,333
<u>Payable through General Debt Service Fund</u>								
School Buses	110,800	2.9	4-25-12	7-1-14	\$ 0	\$ 110,800	\$ 0	\$ 110,800
Total Payable through General Debt Service Fund					\$ 0	\$ 110,800	\$ 0	\$ 110,800
Total Notes Payable					\$ 115,158	\$ 275,800	\$ 56,825	\$ 334,133
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	12,000,000	Variable	4-6-00	5-25-27	\$ 9,890,000	\$ 0	\$ 380,000	\$ 9,510,000
Jail Construction Refunding	945,000	Variable	6-28-02	5-25-17 (1)	448,000	0	448,000	0
School Construction and Hospital Equipment	1,650,000	Variable	5-3-05	5-25-28	1,050,570	0	53,000	997,570
Total Other Loans Payable					\$ 11,388,570	\$ 0	\$ 881,000	\$ 10,507,570
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff's Department Vehicles	135,602	4.45	12-15-08	12-15-11	\$ 34,606	\$ 0	\$ 34,606	\$ 0
"	135,581	6.1	5-3-12	7-3-15	0	135,581	0	135,581
Total Capital Leases Payable					\$ 34,606	\$ 135,581	\$ 34,606	\$ 135,581

(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 7-1-11	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-12
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	\$ 70,709	\$ 0	\$ 1,510	\$ 69,199
Hospital Bond (A)	6,000,000	5.6	12-15-03	12-15-28	4,320,000	0	240,000	4,080,000
Hospital Bond (B)	300,000	4.6	12-15-03	12-15-13	90,000	0	30,000	60,000
Elevator Bond (A)	132,000	4.25	1-11-07	1-11-45 (1)	125,803	0	125,803	0
Elevator Bond (B)	93,000	4.375	8-18-06	8-18-44 (1)	88,750	0	88,750	0
Total Bonds Payable					\$ 4,695,262	\$ 0	\$ 486,063	\$ 4,209,199

(1) These debt issues were retired during the year, prior to their stated maturity dates.

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 116,460	\$ 9,340	\$ 125,800
2014	118,673	5,684	124,357
2015	33,000	1,980	34,980
2016	33,000	1,320	34,320
2017	33,000	660	33,660
Total	<u>\$ 334,133</u>	<u>\$ 18,984</u>	<u>\$ 353,117</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2013	\$ 454,000	\$ 56,794	\$ 57,210	\$ 568,004
2014	486,000	54,351	54,633	594,984
2015	537,000	51,734	51,891	640,625
2016	559,000	48,837	48,909	656,746
2017	590,000	45,822	45,808	681,630
2018	632,000	42,637	42,557	717,194
2019	658,000	39,223	39,096	736,319
2020	695,000	35,667	35,509	766,176
2021	736,000	31,910	31,734	799,644
2022	768,000	27,927	27,764	823,691
2023	800,000	23,772	23,630	847,402
2024	842,000	19,442	19,332	880,774
2025	878,000	14,883	14,825	907,708
2026	905,000	10,126	10,145	925,271
2027	947,000	5,224	5,323	957,547
2028	20,570	93	293	20,956
Total	<u>\$ 10,507,570</u>	<u>\$ 508,442</u>	<u>\$ 508,659</u>	<u>\$ 11,524,671</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 35,960	\$ 1,378	\$ 37,338
2014	31,261	6,077	37,338
2015	33,168	4,170	37,338
2016	35,192	2,147	37,339
Total	<u>\$ 135,581</u>	<u>\$ 13,772</u>	<u>\$ 149,353</u>

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 271,584	\$ 237,825	\$ 509,409
2014	271,661	223,323	494,984
2015	241,742	207,615	449,357
2016	241,827	193,903	435,730
2017	241,916	180,188	422,104
2018	242,009	166,916	408,925
2019	242,107	152,743	394,850
2020	242,210	139,014	381,224
2021	242,317	125,280	367,597
2022	242,430	111,839	354,269
2023	242,549	97,795	340,344
2024	242,673	84,044	326,717
2025	242,803	70,287	313,090
2026	242,940	56,673	299,613
2027	243,083	42,754	285,837
2028	243,234	28,976	272,210
2029	243,391	15,193	258,584
2030	3,557	1,400	4,957
2031	3,730	1,227	4,957
2032	3,912	1,045	4,957
2033	4,103	854	4,957
2034	4,303	654	4,957
2035	4,512	445	4,957
2036	4,606	351	4,957
Total	\$ 4,209,199	\$ 2,140,344	\$ 6,349,543

Exhibit K-3

Hancock County, Tennessee
Schedule of Notes and Capital Leases Receivable
Primary Government and Discretely Presented Hancock County School Department
June 30, 2012

Description	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-12
<u>PRIMARY GOVERNMENT</u>					
<u>Capital Leases Receivable</u>					
<u>General Debt Service Fund</u>					
Lease Agreement - Wellmont Health Systems	\$ 6,000,000	12-15-03	12-15-28	5.6 %	\$ 4,080,000
"	300,000	12-15-03	12-15-13	4.6	60,000
"	707,534	Various	5-25-17	Variable	525,719
Total					<u>\$ 4,665,719</u>
<u>DISCRETELY PRESENTED HANCOCK</u>					
<u>COUNTY SCHOOL DEPARTMENT</u>					
<u>General Purpose School Fund</u>					
Promissory Note - Former Teacher Tuition Reimbursement	7,669	7-1-06	N/A	0	\$ 7,669
"	3,516	3-30-07	N/A	0	3,516
"	2,588	2-7-11	9-30-13	0	1,183
Total					<u>\$ 12,368</u>

Exhibit K-4

Hancock County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Home Health Fund (enterprise fund)	General	Operations	\$ 600,000
Other Capital Projects Fund	General Debt Service	Retirement of debt	<u>667,740</u>
Total Transfers			<u><u>\$ 1,267,740</u></u>

Exhibit K-5

Hancock County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hancock County School Department
For the Year Ended June 30, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 65,600	\$ 25,000	Auto-Owners Mutual Insurance Company
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	78,388 (1)	100,000	"
Trustee	Section 8-24-102, TCA	52,251	454,500	Auto-Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, TCA	52,251	25,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	52,251	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	52,251	15,000	"
Sheriff	Section 8-24-102, TCA, and County Commission	62,477 (3)	25,000	Auto-Owners Mutual Insurance Company
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			25,000	Western Surety Company
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 \$11,671.

(3) Includes \$5,000 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, 2012

	Special Revenue Funds					Debt Service Fund			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	Capital Projects Funds			
									General	Other		
<u>Local Taxes</u>												
<u>County Property Taxes</u>												
Current Property Tax	\$ 1,064,009	\$ 214,816	\$ 0	\$ 0	\$ 0	\$ 77,279	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,356,104	
Trustee's Collections - Prior Year	51,157	10,658	0	0	0	1,974	0	0	0	0	63,789	
Circuit/Clerk & Master Collections - Prior Years	50,034	10,172	0	0	0	1,666	0	0	0	0	61,872	
Interest and Penalty	8,336	1,770	0	0	0	374	0	0	0	0	10,480	
Pick-up Taxes	268	57	0	0	0	11	0	0	0	0	336	
Payments in-Lieu-of Taxes - T.V.A.	19	4	0	0	0	1	0	0	0	0	24	
<u>County Local Option Taxes</u>												
Local Option Sales Tax	56,612	0	0	0	0	0	0	0	0	0	56,612	
Wheel Tax	55,877	0	0	0	0	0	0	0	0	0	55,877	
Litigation Tax - General	10,982	0	0	0	0	0	0	0	0	0	10,982	
Litigation Tax - Special Purpose	6,165	0	0	0	0	0	0	0	0	0	6,165	
Litigation Tax - Jail, Workhouse, or Courthouse	5,844	0	0	0	0	0	0	0	0	0	5,844	
Litigation Tax - Courtroom Security	812	0	0	0	0	0	0	0	0	0	812	
Business Tax	18,658	0	0	0	0	0	0	0	0	0	18,658	
Other County Local Option Taxes	5,592	0	0	0	0	0	0	0	0	0	5,592	
<u>Statutory Local Taxes</u>												
Wholesale Beer Tax	4,353	984	0	0	0	302	0	0	0	0	5,639	
Interstate Telecommunications Tax	302	0	0	0	0	0	0	0	0	0	302	
Total Local Taxes	\$ 1,339,020	\$ 238,461	\$ 0	\$ 0	\$ 0	\$ 81,607	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,659,088	
<u>Licenses and Permits</u>												
<u>Permits</u>												
Beer Permits	332	0	0	0	0	0	0	0	0	0	332	
Building Permits	4,250	0	0	0	0	0	0	0	0	0	4,250	
Total Licenses and Permits	\$ 4,582	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,582	
<u>Fines, Forfeitures, and Penalties</u>												
<u>Circuit Court</u>												
Fines	3,415	0	0	0	0	0	0	0	0	0	3,415	
Officers Costs	1,693	0	0	0	0	0	0	0	0	0	1,693	

(Continued)

Exhibit K-6

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Circuit Court (Cont.)</u>											
Drug Control Fines	\$ 745	\$ 0	\$ 499	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,244
Drug Court Fees	261	0	0	0	0	0	0	0	0	0	261
DUI Treatment Fines	110	0	0	0	0	0	0	0	0	0	110
Data Entry Fee - Circuit Court	536	0	0	0	0	0	0	0	0	0	536
<u>General Sessions Court</u>											
Fines	19,106	0	389	0	0	0	0	0	0	0	19,495
Fines for Littering	10	0	0	0	0	0	0	0	0	0	10
Officers Costs	14,680	0	0	0	0	0	0	0	0	0	14,680
Game and Fish Fines	25	0	0	0	0	0	0	0	0	0	25
Drug Control Fines	5,023	0	5,300	0	0	0	0	0	0	0	10,323
Drug Court Fees	401	0	250	0	0	0	0	0	0	0	651
Jail Fees	6,847	0	0	0	0	0	0	0	0	0	6,847
DUI Treatment Fines	3,298	0	0	0	0	0	0	0	0	0	3,298
Data Entry Fee - General Sessions Court	1,320	0	0	0	0	0	0	0	0	0	1,320
<u>Juvenile Court</u>											
Fines	148	0	0	0	0	0	0	0	0	0	148
Officers Costs	473	0	0	0	0	0	0	0	0	0	473
Data Entry Fee - Juvenile Court	76	0	0	0	0	0	0	0	0	0	76
<u>Chancery Court</u>											
Officers Costs	275	0	0	0	0	0	0	0	0	0	275
Data Entry Fee - Chancery Court	252	0	0	0	0	0	0	0	0	0	252
<u>Judicial District Drug Program</u>											
Drug Task Force Forfeitures and Seizures	0	0	878	0	0	0	0	0	0	0	878
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	327	0	0	0	0	0	0	0	0	0	327
Total Fines, Forfeitures, and Penalties	\$ 59,021	\$ 0	\$ 7,316	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,337
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Tipping Fees	\$ 0	\$ 110	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 110

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects	Capital Projects Funds			
									General	Other		
Fees Received from County Officials (Cont.)												
<u>Fees in-Lieu-of Salary (Cont.)</u>												
General Sessions Court Clerk	\$ 44,008	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,008
Clerk and Master	31,647	0	0	0	0	0	0	0	0	0	0	31,647
Juvenile Court Clerk	1,645	0	0	0	0	0	0	0	0	0	0	1,645
Register	18,113	0	0	0	0	0	0	0	0	0	0	18,113
Sheriff	1,194	0	0	0	0	0	0	0	0	0	0	1,194
Trustee	88,810	0	0	0	0	0	0	0	0	0	0	88,810
Total Fees Received from County Officials	\$ 275,142	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 275,142
State of Tennessee												
<u>General Government Grants</u>												
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,500
Solid Waste Grants	0	1,434	0	0	0	0	0	0	0	0	0	1,434
<u>Public Safety Grants</u>												
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	0	0	0	5,400
<u>Public Works Grants</u>												
State Aid Program	0	0	0	0	192,475	0	0	0	0	0	0	192,475
Litter Program	37,607	0	0	0	0	0	0	0	0	0	0	37,607
<u>Other State Revenues</u>												
Income Tax	986	211	0	0	0	39	0	0	0	0	0	1,236
Beer Tax	18,421	0	0	0	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	18,200	0	0	0	0	0	0	0	0	0	0	18,200
State Revenue Sharing - T. V. A.	267,529	0	0	0	0	0	0	0	0	0	0	267,529
Emergency Hospital - Prisoners	220,294	0	0	0	0	0	0	0	0	0	0	220,294
Contracted Prisoner Boarding	754,509	0	0	0	0	0	0	0	0	0	0	754,509
Gasoline and Motor Fuel Tax	0	0	0	0	1,272,214	0	0	0	0	0	0	1,272,214
Petroleum Special Tax	0	0	0	0	4,964	0	0	0	0	0	0	4,964
Registrar's Salary Supplement	30,822	0	0	0	0	0	0	0	0	0	0	30,822
Other State Grants	28,661	0	0	0	0	0	0	0	0	0	0	28,661
Total State of Tennessee	\$ 1,386,929	\$ 1,645	\$ 0	\$ 0	\$ 1,469,653	\$ 39	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,858,266

(Continued)

Exhibit K-6

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects			
<u>Federal Government</u>											
<u>Federal Through State</u>											
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 459,262	\$ 0	\$ 0	\$ 459,262	
Other Federal through State	183,397	0	0	0	0	0	0	0	0	183,397	
<u>Direct Federal Revenue</u>	40,000	0	0	0	0	0	0	0	0	40,000	
Other Direct Federal Revenue	223,397	0	0	0	0	0	459,262	0	0	682,659	
Total Federal Government	\$ 223,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 459,262	\$ 0	\$ 0	\$ 682,659	
<u>Other Governments and Citizens Groups</u>											
<u>Other Governments</u>											
Contributions	\$ 80,803	\$ 0	\$ 0	\$ 0	\$ 0	\$ 470,676	\$ 0	\$ 0	\$ 0	\$ 551,479	
Contracted Services	139,813	0	0	0	0	0	0	0	0	139,813	
Other	1,200	0	0	0	0	550,510	0	0	0	551,710	
Other	221,816	0	0	0	0	1,021,186	0	0	0	1,243,002	
Total Other Governments and Citizens Groups	\$ 4,620,565	\$ 245,924	\$ 7,316	\$ 11,717	\$ 1,518,241	\$ 1,126,802	\$ 460,262	\$ 4,587	\$ 7,995,414		
Total											

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 549,159	\$ 0	\$ 0	\$ 549,159
Trustee's Collections - Prior Year	25,984	0	0	25,984
Circuit/Clerk & Master Collections - Prior Years	24,016	0	0	24,016
Interest and Penalty	4,245	0	0	4,245
Pick-up Taxes	136	0	0	136
Payments in-Lieu-of Taxes - T.V.A.	10	0	0	10
<u>County Local Option Taxes</u>				
Local Option Sales Tax	220,015	0	0	220,015
Wheel Tax	50,899	0	0	50,899
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	2,463	0	0	2,463
Interstate Telecommunications Tax	379	0	0	379
Total Local Taxes	\$ 877,306	\$ 0	\$ 0	\$ 877,306
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 399	\$ 0	\$ 0	\$ 399
Total Licenses and Permits	\$ 399	\$ 0	\$ 0	\$ 399
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 0	\$ 0	\$ 123,467	\$ 123,467
Total Charges for Current Services	\$ 0	\$ 0	\$ 123,467	\$ 123,467
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 964	\$ 964
Lease/Rentals	425	0	0	425
Refund of Telecommunication and Internet Fees (E-Rate)	21,069	0	0	21,069
Miscellaneous Refunds	6,209	0	0	6,209
<u>Nonrecurring Items</u>				
Sale of Equipment	7,954	0	0	7,954
Damages Recovered from Individuals	145	0	0	145
Contributions and Gifts	43,974	0	0	43,974
Total Other Local Revenues	\$ 79,776	\$ 0	\$ 964	\$ 80,740
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 27,938	\$ 0	\$ 0	\$ 27,938
<u>State Education Funds</u>				
Basic Education Program	6,056,000	0	0	6,056,000
Early Childhood Education	655,609	0	0	655,609
School Food Service	0	0	14,598	14,598
Other State Education Funds	130,337	0	0	130,337
Career Ladder Program	52,790	0	0	52,790
Career Ladder - Extended Contract	32,867	0	0	32,867

(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>Other State Revenues</u>				
Income Tax	\$ 323	\$ 0	\$ 0	\$ 323
Other State Revenues	173,599	0	0	173,599
Total State of Tennessee	<u>\$ 7,129,463</u>	<u>\$ 0</u>	<u>\$ 14,598</u>	<u>\$ 7,144,061</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 357,925	\$ 357,925
USDA - Commodities	0	0	25,028	25,028
Breakfast	0	0	152,999	152,999
USDA - Other	0	0	38,875	38,875
Adult Education State Grant Program	8,057	0	0	8,057
Vocational Education - Basic Grants to States	0	23,612	0	23,612
Title I Grants to Local Education Agencies	0	644,233	0	644,233
Special Education - Grants to States	0	249,194	0	249,194
Special Education Preschool Grants	0	7,030	0	7,030
Rural Education	0	7,764	0	7,764
Eisenhower Professional Development State Grants	0	90,280	0	90,280
Race-to-the-Top - ARRA	0	134,552	0	134,552
Other Federal through State	0	338,448	0	338,448
Total Federal Government	<u>\$ 8,057</u>	<u>\$ 1,495,113</u>	<u>\$ 574,827</u>	<u>\$ 2,077,997</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 110,800	\$ 0	\$ 0	\$ 110,800
Total Other Governments and Citizens Groups	<u>\$ 110,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 110,800</u>
Total	<u>\$ 8,205,801</u>	<u>\$ 1,495,113</u>	<u>\$ 713,856</u>	<u>\$ 10,414,770</u>

Exhibit K-8

Hancock County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	42,275	
Social Security		2,481	
Employee and Dependent Insurance		14,958	
Unemployment Compensation		44	
Employer Medicare		580	
Audit Services		500	
Contributions		8,440	
Dues and Memberships		4,089	
Legal Services		3,005	
Legal Notices, Recording, and Court Costs		1,812	
Travel		1,877	
Premiums on Corporate Surety Bonds		885	
Other Charges		867	
Total County Commission			\$ 81,813

Board of Equalization

Board and Committee Members Fees	\$	1,200	
Total Board of Equalization			1,200

County Mayor/Executive

County Official/Administrative Officer	\$	65,600	
Secretary(ies)		17,518	
Social Security		5,151	
State Retirement		4,774	
Employee and Dependent Insurance		2,850	
Unemployment Compensation		112	
Employer Medicare		1,205	
Communication		5,688	
Data Processing Services		9,148	
Dues and Memberships		484	
Postal Charges		2,174	
Travel		2,655	
Office Supplies		1,562	
Premiums on Corporate Surety Bonds		100	
Total County Mayor/Executive			119,021

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	\$	47,026	
Other Salaries and Wages		725	
Election Commission		5,325	
Election Workers		4,952	
Social Security		3,246	
Unemployment Compensation		35	
Employer Medicare		759	
Communication		2,478	
Data Processing Services		6,900	
Dues and Memberships		200	
Legal Notices, Recording, and Court Costs		2,874	
Postal Charges		956	
Printing, Stationery, and Forms		468	
Rentals		750	
Travel		1,721	
Other Contracted Services		1,950	
Data Processing Supplies		320	
Office Supplies		971	
Total Election Commission			\$ 81,656

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		17,855	
Social Security		4,336	
State Retirement		3,802	
Employee and Dependent Insurance		7,150	
Unemployment Compensation		126	
Employer Medicare		1,027	
Communication		3,051	
Data Processing Services		2,106	
Dues and Memberships		384	
Operating Lease Payments		2,741	
Postal Charges		400	
Travel		879	
Office Supplies		2,221	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			98,429

County Buildings

Supervisor/Director	\$	7,306	
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(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.)

Custodial Personnel	\$	24,864	
Social Security		1,996	
Employee and Dependent Insurance		8,575	
Unemployment Compensation		408	
Employer Medicare		466	
Contributions		20,000	
Maintenance and Repair Services - Buildings		103,685	
Travel		41	
Other Contracted Services		3,537	
Custodial Supplies		6,333	
Electricity		37,296	
Water and Sewer		9,034	
Other Supplies and Materials		1,109	
Total County Buildings			\$ 224,650

Finance

Purchasing

Data Processing Personnel	\$	53,837	
Social Security		3,338	
Unemployment Compensation		251	
Employer Medicare		781	
Operating Lease Payments		2,741	
Office Supplies		3,442	
Total Purchasing			64,390

Property Assessor's Office

County Official/Administrative Officer	\$	52,251
Clerical Personnel		23,548
Social Security		4,700
State Retirement		3,802
Employee and Dependent Insurance		14,075
Unemployment Compensation		126
Employer Medicare		1,099
Audit Services		3,881
Communication		1,726
Data Processing Services		6,752
Dues and Memberships		200
Legal Notices, Recording, and Court Costs		228
Postal Charges		400
Office Supplies		820

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Premiums on Corporate Surety Bonds	\$ 17	
Total Property Assessor's Office		\$ 113,625

Reappraisal Program

Clerical Personnel	\$ 18,466	
Social Security	1,145	
Employee and Dependent Insurance	1,375	
Unemployment Compensation	126	
Employer Medicare	268	
Maintenance and Repair Services - Vehicles	80	
Postal Charges	1,545	
Gasoline	75	
Premiums on Corporate Surety Bonds	217	
Vehicle and Equipment Insurance	581	
Total Reappraisal Program		23,878

County Trustee's Office

County Official/Administrative Officer	\$ 52,251	
Clerical Personnel	26,368	
Social Security	4,874	
State Retirement	3,802	
Employee and Dependent Insurance	10,175	
Unemployment Compensation	14	
Employer Medicare	1,140	
Communication	4,275	
Data Processing Services	6,262	
Dues and Memberships	499	
Operating Lease Payments	1,871	
Legal Notices, Recording, and Court Costs	72	
Postal Charges	1,159	
Travel	2,020	
Office Supplies	936	
Other Supplies and Materials	500	
Premiums on Corporate Surety Bonds	117	
Total County Trustee's Office		116,335

County Clerk's Office

County Official/Administrative Officer	\$ 52,251
Clerical Personnel	41,967
Other Per Diem and Fees	550

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Social Security	\$	5,842	
State Retirement		3,802	
Employee and Dependent Insurance		3,575	
Unemployment Compensation		268	
Employer Medicare		1,366	
Communication		2,011	
Data Processing Services		2,892	
Dues and Memberships		424	
Operating Lease Payments		2,127	
Postal Charges		332	
Travel		1,350	
Office Supplies		1,539	
Premiums on Corporate Surety Bonds		200	
Office Equipment		294	
Total County Clerk's Office			\$ 120,790

Other Finance

Trustee's Commission	\$	38,456	
Total Other Finance			38,456

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		41,432	
Jury and Witness Expense		6,169	
Social Security		5,808	
State Retirement		3,802	
Employee and Dependent Insurance		10,725	
Unemployment Compensation		252	
Employer Medicare		1,358	
Communication		4,431	
Data Processing Services		4,303	
Dues and Memberships		299	
Operating Lease Payments		2,741	
Postal Charges		423	
Office Supplies		2,840	
Other Supplies and Materials		90	
Premiums on Corporate Surety Bonds		317	
Total Circuit Court			137,241

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	62,977	
Social Security		3,905	
State Retirement		4,583	
Employer Medicare		913	
Dues and Memberships		245	
Travel		1,734	
Total General Sessions Court			\$ 74,357

Chancery Court

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		19,606	
Social Security		4,455	
State Retirement		3,802	
Employee and Dependent Insurance		3,575	
Unemployment Compensation		126	
Employer Medicare		1,042	
Communication		3,466	
Data Processing Services		3,722	
Dues and Memberships		554	
Operating Lease Payments		663	
Postal Charges		400	
Travel		2,103	
Office Supplies		4,760	
Premiums on Corporate Surety Bonds		200	
Office Equipment		383	
Total Chancery Court			101,108

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	62,477
Deputy(ies)		220,602
Investigator(s)		72,321
In-Service Training		11,619
Social Security		22,069
State Retirement		4,546
Employee and Dependent Insurance		39,635
Unemployment Compensation		1,882
Employer Medicare		5,159
Dues and Memberships		375
Maintenance and Repair Services - Vehicles		15,116

(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.)

Gasoline	\$	50,883	
Law Enforcement Supplies		1,686	
Tires and Tubes		4,616	
Uniforms		3,955	
Liability Insurance		26,584	
Premiums on Corporate Surety Bonds		3,200	
Vehicle and Equipment Insurance		30,652	
Motor Vehicles		<u>135,581</u>	
Total Sheriff's Department	\$		712,958

Jail

Accountants/Bookkeepers	\$	23,390	
Dispatchers/Radio Operators		107,848	
Guards		242,723	
Clerical Personnel		22,666	
Cafeteria Personnel		21,106	
Social Security		26,142	
Employee and Dependent Insurance		41,516	
Unemployment Compensation		3,583	
Employer Medicare		6,116	
Communication		22,635	
Operating Lease Payments		5,292	
Legal Notices, Recording, and Court Costs		321	
Maintenance and Repair Services - Buildings		5	
Medical and Dental Services		273,511	
Postal Charges		3,019	
Travel		1,920	
Other Contracted Services		11,846	
Custodial Supplies		17,581	
Drugs and Medical Supplies		2,085	
Electricity		46,617	
Food Preparation Supplies		2,913	
Food Supplies		158,648	
Gasoline		154	
General Construction Materials		854	
Office Supplies		6,917	
Water and Sewer		43,771	
Other Supplies and Materials		10,382	
Specialized Medical Treatment		<u>97,122</u>	
Total Jail			1,200,683

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Youth Service Officer(s)	\$	10,927	
Social Security		677	
Unemployment Compensation		126	
Employer Medicare		158	
Communication		1,459	
Dues and Memberships		120	
Postal Charges		60	
Travel		956	
Office Supplies		127	
Total Juvenile Services			\$ 14,610

Commissary

Office Supplies	\$	874	
Other Supplies and Materials		35,598	
Total Commissary			36,472

Civil Defense

Other Salaries and Wages	\$	6,450	
In-Service Training		70	
Social Security		409	
Unemployment Compensation		119	
Employer Medicare		96	
Communication		4	
Maintenance and Repair Services - Vehicles		754	
Other Contracted Services		100	
Other Supplies and Materials		130	
Vehicle and Equipment Insurance		19,682	
Total Civil Defense			27,814

Rescue Squad

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

County Coroner/Medical Examiner

Other Contracted Services	\$	30,887	
Total County Coroner/Medical Examiner			30,887

Other Public Safety

Road Signs	\$	1,033	
Total Other Public Safety			1,033

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	9,173	
Social Security		567	
Unemployment Compensation		127	
Employer Medicare		133	
Communication		6,904	
Operating Lease Payments		1,126	
Maintenance Agreements		892	
Maintenance and Repair Services - Buildings		6,696	
Maintenance and Repair Services - Equipment		40	
Pest Control		342	
Postal Charges		728	
Custodial Supplies		3,690	
Drugs and Medical Supplies		101	
Electricity		16,707	
Office Supplies		2,888	
Water and Sewer		1,975	
Other Supplies and Materials		423	
Building and Contents Insurance		1,558	
Other Charges		1,829	
Office Equipment		2,404	
Other Equipment		1,801	
Total Local Health Center			\$ 60,104

Ambulance/Emergency Medical Services

Supervisor/Director	\$	41,058
Medical Personnel		282,400
Clerical Personnel		106
Part-time Personnel		105,389
Board and Committee Members Fees		500
In-Service Training		1,388
Social Security		25,659
Employee and Dependent Insurance		32,350
Unemployment Compensation		2,600
Employer Medicare		6,196
Communication		7,752
Data Processing Services		70,690
Dues and Memberships		350
Operating Lease Payments		335
Legal Notices, Recording, and Court Costs		75
Licenses		1,750

(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.)

Maintenance and Repair Services - Buildings	\$	2,575	
Maintenance and Repair Services - Vehicles		27,604	
Medical and Dental Services		1,772	
Postal Charges		667	
Printing, Stationery, and Forms		65	
Travel		217	
Disposal Fees		750	
Other Contracted Services		1,682	
Custodial Supplies		2,069	
Diesel Fuel		48,398	
Drugs and Medical Supplies		30,596	
Electricity		442	
Propane Gas		2,391	
Tires and Tubes		4,156	
Uniforms		1,348	
Water and Sewer		1,275	
Other Supplies and Materials		403	
Refunds		229	
Vehicle and Equipment Insurance		22,300	
Other Charges		383	
Total Ambulance/Emergency Medical Services			\$ 727,920

Alcohol and Drug Programs

Clerical Personnel	\$	13,590	
Communication		1,113	
Legal Notices, Recording, and Court Costs		150	
Postal Charges		32	
Travel		1,174	
Other Supplies and Materials		6,951	
Other Charges		88	
Total Alcohol and Drug Programs			23,098

Crippled Children Services

Contributions	\$	415	
Total Crippled Children Services			415

Other Local Health Services

Part-time Personnel	\$	13,299	
Social Security		818	
Unemployment Compensation		242	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Employer Medicare	\$	193	
Travel		800	
Total Other Local Health Services			\$ 15,352

Sanitation Management

Guards	\$	23,737	
Clerical Personnel		2,400	
Social Security		1,621	
Unemployment Compensation		139	
Employer Medicare		379	
Other Supplies and Materials		10,006	
Total Sanitation Management			38,282

Other Public Health and Welfare

Other Supplies and Materials	\$	82	
Total Other Public Health and Welfare			82

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	7,959	
Total Senior Citizens Assistance			7,959

Libraries

Librarians	\$	19,942	
Part-time Personnel		15,244	
Social Security		2,182	
Employee and Dependent Insurance		3,575	
Unemployment Compensation		279	
Employer Medicare		510	
Communication		110	
Contributions		15,600	
Office Equipment		14,418	
Total Libraries			71,860

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,983	
Rentals		44	
Other Contracted Services		21,676	
Custodial Supplies		194	

(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	\$	991	
Office Supplies		1,967	
Water and Sewer		877	
Total Agriculture Extension Service			\$ 27,732

Soil Conservation

Communication	\$	913	
Contributions		13,440	
Rentals		5,760	
Electricity		497	
Total Soil Conservation			20,610

Other Operations

Public Transportation

Supervisor/Director	\$	25,960	
Bus Drivers		144,011	
Social Security		10,538	
Employee and Dependent Insurance		26,350	
Unemployment Compensation		1,283	
Employer Medicare		2,465	
Communication		4,631	
Dues and Memberships		1,450	
Legal Notices, Recording, and Court Costs		415	
Maintenance and Repair Services - Vehicles		7,852	
Postal Charges		200	
Other Contracted Services		520	
Gasoline		45,974	
Office Supplies		1,701	
Tires and Tubes		3,406	
Refunds		540	
Vehicle and Equipment Insurance		24,358	
Other Charges		343	
Total Public Transportation			301,997

Veterans' Services

Other Salaries and Wages	\$	6,168	
Social Security		382	
Unemployment Compensation		111	
Employer Medicare		89	
Communication		2,825	

(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.)

Travel	\$	812	
Other Supplies and Materials		113	
Total Veterans' Services			\$ 10,500

Principal on Debt

General Government

Principal on Notes	\$	56,825	
Principal on Capital Leases		34,606	
Total General Government			91,431

Interest on Debt

General Government

Interest on Notes	\$	5,675	
Interest on Capital Leases		1,539	
Total General Government			7,214

Total General Fund \$ 4,842,323

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	18,919
Truck Drivers		44,812
Other Salaries and Wages		25,040
Social Security		5,504
Employee and Dependent Insurance		9,975
Unemployment Compensation		791
Employer Medicare		1,364
Communication		1,390
Contracts with Private Agencies		87,934
Maintenance and Repair Services - Equipment		8,069
Other Contracted Services		5,932
Crushed Stone		2,235
Diesel Fuel		25,359
Electricity		1,339
Office Supplies		192
Tires and Tubes		5,105
Other Supplies and Materials		1,491
Trustee's Commission		4,572
Vehicle and Equipment Insurance		4,691

(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 Charges	\$ 2,403	
Total Sanitation Management		\$ 257,117

Total Solid Waste/Sanitation Fund		\$ 257,117
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Drug Control Fund
Public Safety

<u>Drug Enforcement</u>		
Trustee's Commission	\$ 67	
Other Charges	5,079	
Total Drug Enforcement		\$ 5,146

Total Drug Control Fund		5,146
-------------------------	--	-------

Constitutional Officers - Fees Fund
Administration of Justice

<u>Chancery Court</u>		
Special Commissioner Fees/Special Master Fees	\$ 11,671	
Constitutional Officers' Operating Expenses	46	
Total Chancery Court		\$ 11,717

Total Constitutional Officers - Fees Fund		11,717
---	--	--------

Highway/Public Works Fund
Highways

<u>Administration</u>		
County Official/Administrative Officer	\$ 57,477	
Accountants/Bookkeepers	23,500	
Laborers	312,713	
Overtime Pay	13,149	
Data Processing Services	8,534	
Travel	74	
Office Supplies	1,908	
Utilities	12,322	
Total Administration		\$ 429,677

Highway and Bridge Maintenance

Contracts with Private Agencies	\$ 68,833
Asphalt - Hot Mix	163,146
Crushed Stone	104,187

(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 (Cont.)

Pipe - Metal	\$	3,276	
Other Supplies and Materials		23,694	
Total Highway and Bridge Maintenance			\$ 363,136

Operation and Maintenance of Equipment

Diesel Fuel	\$	79,154	
Equipment and Machinery Parts		29,776	
Gasoline		44,320	
Lubricants		5,246	
Tires and Tubes		496	
Total Operation and Maintenance of Equipment			158,992

Other Charges

Dues and Memberships	\$	1,952	
Trustee's Commission		12,772	
Vehicle and Equipment Insurance		40,322	
Other Charges		6,764	
Total Other Charges			61,810

Employee Benefits

Social Security	\$	25,240	
State Retirement		4,184	
Life Insurance		11,096	
Medical Insurance		31,871	
Unemployment Compensation		3,142	
Employer Medicare		5,903	
Other Fringe Benefits		8,078	
Workers' Compensation Insurance		44,263	
Total Employee Benefits			133,777

Capital Outlay

Operating Lease Payments	\$	2,137	
State Aid Projects		192,475	
Total Capital Outlay			194,612

Total Highway/Public Works Fund \$ 1,342,004

(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	\$ 486,062	
Principal on Other Loans	<u>475,931</u>	
Total General Government		\$ 961,993

Education

Principal on Other Loans	\$ <u>405,069</u>	
Total Education		405,069

Interest on Debt

General Government

Interest on Bonds	\$ 262,128	
Interest on Other Loans	<u>7,512</u>	
Total General Government		269,640

Education

Interest on Other Loans	\$ <u>43,477</u>	
Total Education		43,477

Other Debt Service

General Government

Trustee's Commission	\$ 1,597	
Other Debt Service	<u>4,089</u>	
Total General Government		5,686

Education

Other Debt Service	\$ <u>47,373</u>	
Total Education		<u>47,373</u>

Total General Debt Service Fund \$ 1,733,238

General Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Building Construction	\$ <u>288,850</u>	
Total Public Health and Welfare Projects		\$ 288,850

Public Utility Projects

Other Construction	\$ <u>171,657</u>	
Total Public Utility Projects		171,657

(Continued)

Exhibit K-8

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Other General Government Projects

Site Development	\$	122,278	
Building Purchases		<u>165,000</u>	
Total Other General Government Projects			\$ 287,278

Education Capital Projects

Contributions	\$	<u>110,800</u>	
Total Education Capital Projects			<u>110,800</u>

Total General Capital Projects Fund \$ 858,585

Total Governmental Funds - Primary Government \$ 9,050,130

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, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,261,106	
Career Ladder Program	38,000	
Career Ladder Extended Contracts	21,500	
Homebound Teachers	18,250	
Certified Substitute Teachers	11,714	
Non-certified Substitute Teachers	28,155	
Social Security	142,488	
State Retirement	213,307	
Medical Insurance	54,148	
Unemployment Compensation	3,032	
Employer Medicare	33,724	
Instructional Supplies and Materials	3,070	
Textbooks	77,516	
Total Regular Instruction Program		\$ 2,906,010

Alternative Instruction Program

Teachers	\$ 40,300	
Social Security	2,499	
State Retirement	3,647	
Unemployment Compensation	95	
Employer Medicare	584	
Total Alternative Instruction Program		47,125

Special Education Program

Teachers	\$ 370,282	
Career Ladder Program	4,000	
Educational Assistants	107,222	
Certified Substitute Teachers	51	
Non-certified Substitute Teachers	7,573	
Social Security	29,508	
State Retirement	33,876	
Medical Insurance	25,427	
Unemployment Compensation	1,900	
Employer Medicare	6,901	
Other Contracted Services	13,884	
Other Supplies and Materials	21,997	
Total Special Education Program		622,621

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	294,105	
Career Ladder Program		6,000	
Educational Assistants		9,744	
Non-certified Substitute Teachers		3,324	
Social Security		17,993	
State Retirement		27,159	
Medical Insurance		36,271	
Unemployment Compensation		800	
Employer Medicare		4,208	
Total Vocational Education Program			\$ 399,604

Adult Education Program

Teachers	\$	8,361	
Other Salaries and Wages		1,336	
Social Security		600	
State Retirement		189	
Unemployment Compensation		95	
Employer Medicare		140	
Total Adult Education Program			10,721

Support Services

Attendance

Supervisor/Director	\$	28,969	
Other Salaries and Wages		42,650	
Social Security		4,389	
State Retirement		2,622	
Medical Insurance		2,242	
Unemployment Compensation		285	
Employer Medicare		1,026	
Travel		2,080	
Total Attendance			84,263

Health Services

Other Salaries and Wages	\$	67,944	
Social Security		3,981	
State Retirement		5,061	
Medical Insurance		7,141	
Unemployment Compensation		190	
Employer Medicare		931	

(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.)

Travel	\$	2,837	
Other Contracted Services		275	
Other Supplies and Materials		8,209	
Other Charges		4,529	
Total Health Services			\$ 101,098

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		99,092	
School Resource Officer		41,061	
Other Salaries and Wages		44,441	
Social Security		11,341	
State Retirement		9,149	
Medical Insurance		6,084	
Unemployment Compensation		760	
Employer Medicare		2,652	
Travel		2,561	
Total Other Student Support			219,141

Regular Instruction Program

Supervisor/Director	\$	27,957	
Career Ladder Program		1,000	
Librarians		83,370	
Materials Supervisor		47,130	
Instructional Computer Personnel		54,844	
Other Salaries and Wages		361	
Social Security		16,407	
State Retirement		14,431	
Medical Insurance		3,123	
Unemployment Compensation		475	
Employer Medicare		3,844	
Maintenance and Repair Services - Equipment		19,392	
Travel		3,823	
Other Contracted Services		14,404	
Other Supplies and Materials		6,182	
Other Charges		14,546	
Total Regular Instruction Program			311,289

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	27,549	
Career Ladder Program		500	
Social Security		1,690	
State Retirement		2,538	
Medical Insurance		2,148	
Unemployment Compensation		95	
Employer Medicare		395	
Travel		4,734	
Total Special Education Program			\$ 39,649

Vocational Education Program

Supervisor/Director	\$	27,549	
Career Ladder Program		500	
Social Security		1,691	
State Retirement		2,538	
Medical Insurance		2,148	
Employer Medicare		395	
Travel		230	
Total Vocational Education Program			35,051

Adult Programs

In Service/Staff Development	\$	1,312	
Total Adult Programs			1,312

Other Programs

On-Behalf Payments to OPEB	\$	27,938	
Total Other Programs			27,938

Board of Education

Secretary to Board	\$	1,000	
Board and Committee Members Fees		6,400	
Social Security		397	
Employer Medicare		107	
Audit Services		5,525	
Dues and Memberships		7,593	
Travel		7,642	
Judgments		8,400	
Liability Insurance		58,371	
Premiums on Corporate Surety Bonds		350	

(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.)

Trustee's Commission	\$	29,717	
Workers' Compensation Insurance		25,795	
Other Charges		28,641	
Total Board of Education			\$ 179,938

Director of Schools

County Official/Administrative Officer	\$	77,388	
Career Ladder Program		1,000	
Social Security		4,888	
State Retirement		7,094	
Medical Insurance		4,295	
Unemployment Compensation		95	
Employer Medicare		1,143	
Other Fringe Benefits		1,375	
Communication		14,313	
Postal Charges		451	
Travel		1,517	
Total Director of Schools			113,559

Office of the Principal

Principals	\$	131,454	
Career Ladder Program		3,000	
Assistant Principals		55,926	
Secretary(ies)		42,385	
Social Security		13,931	
State Retirement		17,229	
Medical Insurance		10,401	
Unemployment Compensation		665	
Employer Medicare		3,258	
Travel		468	
Total Office of the Principal			278,717

Fiscal Services

Accountants/Bookkeepers	\$	62,779	
Social Security		3,845	
Unemployment Compensation		190	
Employer Medicare		899	
Travel		726	
Other Contracted Services		8,377	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Other Supplies and Materials	\$ 3,119	
Total Fiscal Services		\$ 79,935

Operation of Plant

Custodial Personnel	\$ 140,134	
Other Salaries and Wages	24,000	
Social Security	10,200	
Unemployment Compensation	1,139	
Employer Medicare	2,386	
Maintenance and Repair Services - Equipment	8,034	
Disposal Fees	3,542	
Other Contracted Services	8,490	
Custodial Supplies	14,627	
Electricity	318,346	
Natural Gas	17,772	
Water and Sewer	31,235	
Total Operation of Plant		579,905

Maintenance of Plant

Supervisor/Director	\$ 15,234	
Social Security	1,001	
Unemployment Compensation	95	
Employer Medicare	234	
Maintenance and Repair Services - Buildings	27,383	
Maintenance and Repair Services - Equipment	51,160	
Total Maintenance of Plant		95,107

Transportation

Supervisor/Director	\$ 20,921
Mechanic(s)	11,218
Bus Drivers	171,931
Other Salaries and Wages	25,139
Social Security	14,037
State Retirement	2,275
Medical Insurance	5,386
Unemployment Compensation	2,185
Employer Medicare	3,332
Maintenance and Repair Services - Vehicles	67,484
Diesel Fuel	71,317

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Gasoline	\$	55,363	
Tires and Tubes		2,632	
Other Charges		3,491	
Transportation Equipment		185,532	
Total Transportation			\$ 642,243

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	25,250	
Other Salaries and Wages		27,300	
Social Security		3,219	
State Retirement		2,285	
Unemployment Compensation		426	
Employer Medicare		1,035	
Other Supplies and Materials		20,096	
Other Equipment		99,500	
Total Community Services			179,111

Early Childhood Education

Other Salaries and Wages	\$	340,503	
Social Security		20,581	
State Retirement		16,123	
Medical Insurance		8,250	
Unemployment Compensation		2,375	
Employer Medicare		4,530	
Travel		11,603	
Other Supplies and Materials		254,333	
Other Charges		769	
Total Early Childhood Education			659,067

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	35,724	
Total Regular Capital Outlay			35,724

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	465,719	
Total Education			465,719

Total General Purpose School Fund \$ 8,114,847

(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

Instruction

Regular Instruction Program

Teachers	\$	81,557	
Educational Assistants		36,012	
Other Salaries and Wages		269,371	
Certified Substitute Teachers		1,218	
Non-certified Substitute Teachers		11,647	
Social Security		23,708	
State Retirement		31,649	
Medical Insurance		17,293	
Unemployment Compensation		1,610	
Employer Medicare		5,545	
Instructional Supplies and Materials		19,213	
Regular Instruction Equipment		49,151	
Total Regular Instruction Program			\$ 547,974

Special Education Program

Educational Assistants	\$	166,508	
Social Security		9,605	
Unemployment Compensation		1,896	
Employer Medicare		2,397	
Other Contracted Services		32,259	
Other Supplies and Materials		11,457	
Total Special Education Program			224,122

Vocational Education Program

Educational Assistants	\$	10,360	
Social Security		628	
Unemployment Compensation		96	
Employer Medicare		147	
Other Contracted Services		700	
Instructional Supplies and Materials		6,919	
Total Vocational Education Program			18,850

Support Services

Other Student Support

Maintenance and Repair Services - Equipment	\$	1,715	
Travel		14,891	
Other Contracted Services		31,954	
In Service/Staff Development		9,037	
Other Charges		15,623	
Total Other Student Support			73,220

(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

Supervisor/Director	\$	27,957	
Clerical Personnel		17,755	
Other Salaries and Wages		352,582	
Social Security		24,508	
State Retirement		25,328	
Medical Insurance		121,540	
Unemployment Compensation		1,014	
Employer Medicare		5,731	
Maintenance and Repair Services - Equipment		1,400	
Postal Charges		556	
Travel		11,178	
Library Books/Media		5,937	
Other Supplies and Materials		159	
In Service/Staff Development		27,799	
Total Regular Instruction Program			\$ 623,444

Vocational Education Program

Travel	\$	1,000	
Total Vocational Education Program			1,000

Transportation

Bus Drivers	\$	12,372	
Social Security		767	
Employer Medicare		179	
Total Transportation			<u>13,318</u>

Total School Federal Projects Fund \$ 1,501,928

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	49,128	
Cafeteria Personnel		158,792	
Social Security		12,822	
State Retirement		4,446	
Unemployment Compensation		2,100	
Employer Medicare		2,999	
Maintenance and Repair Services - Equipment		14,483	
Travel		982	

(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 (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Contracted Services	\$	5,772	
Food Supplies		404,765	
USDA - Commodities		25,028	
Other Supplies and Materials		5,527	
In Service/Staff Development		429	
Total Food Service			\$ <u>687,273</u>

Total Central Cafeteria Fund \$ 687,273

Total Governmental Funds - Hancock County School Department \$ 10,304,048

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, 2012

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 163,967
Total Cash Receipts	<u>\$ 163,967</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 162,327
Trustee's Commission	<u>1,640</u>
Total Cash Disbursements	<u>\$ 163,967</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
 Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

September 4, 2012

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, 2012, which collectively comprise Hancock County's basic financial statements and have issued our report thereon dated September 4, 2012. 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

The management of Hancock County is responsible for establishing and maintaining effective 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: 12.09.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.01 and 12.10.

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 12.02, 12.03, 12.04, 12.05, 12.06, 12.07, and 12.08.

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/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

Independent Auditor's Report

September 4, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Hancock County's compliance 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, 2012. 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.05 and 12.11.

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 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.

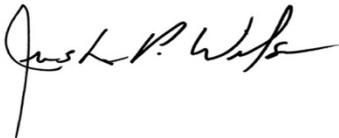
Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated September 4, 2012. 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 written in a cursive style with a long vertical line extending downwards from the end of the name.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Hancock County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 50,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	152,999
National School Lunch Program	10.555	N/A	396,800 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	25,028 (4)
Total U.S. Department of Agriculture			<u>\$ 624,827</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	Z-02-009169-00	\$ 171,655
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	HM-10-21	287,607
Total U.S. Department of Housing and Urban Development			<u>\$ 459,262</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	(2)	\$ 147,854
Total U.S. Department of Transportation			<u>\$ 147,854</u>
Appalachian Regional Commission:			
Passed-through Marshall University:			
Appalachian Area Development	23.002	(3)	\$ 83
Passed-through East Tennessee State University:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	(3)	5,000
Total Appalachian Regional Commission			<u>\$ 5,083</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 647,081
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	248,851
Special Education - Preschool Grants	84.173	N/A	7,030
Career and Technical Education - Basic Grants to States	84.048	N/A	23,612
Education Technology Cluster:			
Education Technology State Grants	84.318	N/A	1,154
Education Technology State Grants, Recovery Act	84.386	N/A	15,380
Rural Education	84.358	N/A	7,748
Improving Teacher Quality State Grants	84.367	N/A	90,274
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	134,176
Education Jobs Fund	84.410	N/A	326,622
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	DG-11-31220220	8,057
Total U.S. Department of Education			<u>\$ 1,509,985</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 Mental Health and Developmental Disabilities:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(3)	\$ 30,543
Total U.S. Department of Health and Human Services			<u>\$ 30,543</u>
Total Expenditures of Federal Awards			<u>\$ 2,777,554</u>
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(3)	\$ 37,607
Juvenile Services Program - State Commission on Children and Youth	N/A	(3)	4,500
Families Resource Center Grant - State Department of Education	N/A	(3)	29,611
Safe Schools Act Grant - State Department of Education	N/A	(3)	6,800
Coordinated School Health - State Department of Education	N/A	(3)	87,131
Statewide Student Management System - State Department of Education	N/A	(3)	2,760
Adult Basic Education - State Department of Education	N/A	DG-11-31220220	33,030
Early Childhood Education Pilot Project - State Department of Education	N/A	(3)	<u>655,609</u>
Total State Grants			<u>\$ 857,048</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-09-28205-00: \$2,002; GG-11-33529-00: \$10,974; GG-12-36241-00: \$134,878.
(3) Information not available.
(4) Total for CFDA No. 10.555 is \$421,828.

Hancock County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
11.01(B)	149	The office had deficiencies in the purchase order system
11.03	150-151	Expenditures exceeded appropriations
11.04	151	The office had deficiencies in computer system backup procedures
11.05	151	The office did not file a report on debt obligations with the State Comptroller's Office

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
11.08	153	Execution docket trial balances did not reconcile with cash journal accounts

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND HOME HEALTH

Finding Number	Page Number	Subject
11.10	154	Duties were not segregated adequately

HANCOCK COUNTY

Finding Number	Page Number	Subject
11.12	155	Hancock County has a material recurring audit finding

HANCOCK COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and Education Jobs Fund (CFDA No. 84.410) 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 12.01 **SOME PURCHASE ORDERS WERE ISSUED AFTER THE PURCHASES WERE MADE**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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. This deficiency can be attributed to a lack of management oversight and the failure to correct the finding noted in the prior-year audit 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.

FINDING 12.02 **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE IN A TIMELY MANNER**

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a \$135,156 lease-purchase in a timely manner. The county entered into the lease-purchase agreement on May 3, 2012; however, the county did not file a Report on Debt Obligation until we informed them that they had failed to file the required report. The county then filed the report on July 17, 2012. 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 and the failure to correct a prior-year audit finding.

RECOMMENDATION

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

**FINDING 12.03 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. Proper system backup procedures were implemented in December 2011.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

FINDING 12.04 EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under *Government Auditing Standards*)

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

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

<u>Major Category</u>	<u>Amount Overspent</u>
Sheriff's Department	\$ 361
Jail	44,184
Interest on Debt - General Government	523

- B. Salaries exceeded line-item appropriations in seven "personnel services" line-items of the General Fund by amounts ranging from \$8 to \$30,602.

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 Commission, 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.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.05 **THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN THE USE OF FEDERAL CHILD NUTRITION PROGRAM FUNDS**
(Noncompliance Under *Government Auditing Standards* and OMB Circular A-133)

During the period under audit, the State of Tennessee, Department of Education, School Nutrition Program conducted a review of the School Nutrition Program (CFDA Nos. 10.553 and 10.555) in Hancock County. The review disclosed the following deficiencies:

- A. The School Nutrition Program was not following the lunch payment policy, which states that uncollected student charges must be repaid from another fund to the School Nutrition Program. A total of \$12,439 in charges was uncollected at Hancock Elementary School as of the date of the review.

- B. Two applications were approved for reduced price status when they should have been denied benefits. One of the applications was corrected prior to the review. Four additional applications were missing social security numbers, and ten applications were missing the “no income” information. Since the amount exceeded the \$600 threshold, a reclaim of meals totaling \$1,276 was required for the certification errors.

It should be noted that in accordance with actions recommended by the State of Tennessee, School Nutrition Program, the Food Service Program has collected a portion of the \$12,439. A check was written from the General Purpose School Fund to the Central Cafeteria Fund for \$3,640 prior to June 30, 2012. This amount represents the portion deemed uncollectible by the School Nutrition Program director. The director is attempting to collect the remaining amount from students, and any uncollectible amount will be reimbursed by the General Purpose School Fund. As of June 30, 2012, the estimated remaining uncollectible amount was \$4,000 and is reflected in this report as a liability in the General Purpose School Fund and a receivable in the Central Cafeteria Fund. Also, the May 2012 claim for reimbursement was reduced by \$1,276 for the errors in the applications noted in part B. above. This monitoring report, along with management’s responses and corrective action

plans, may be obtained from the State Department of Education, School Nutrition Services, Administrative Building, 1240 Foster Avenue, Nashville, TN 37243.

FINDING 12.06 COMPETITIVE BIDS WERE NOT SOLICITED FOR SITE PREPARATION FOR AN ELEMENTARY SCHOOL PLAYGROUND
(Noncompliance Under *Government Auditing Standards*)

Competitive bids were not solicited for site preparation for an elementary school playground totaling \$26,414. Section 49-2-203(a), *Tennessee Code Annotated*, requires public advertisement and solicitation of competitive bids on purchases exceeding \$10,000. The failure to solicit competitive bids could result in the School Department paying more than the most competitive price.

RECOMMENDATION

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

FINDING 12.07 A CAPITAL OUTLAY NOTE WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTES
(Noncompliance Under *Government Auditing Standards*)

On April 25, 2012, Hancock County issued a \$110,800 capital outlay note to purchase school buses without the approval of the state Comptroller's Office as required by Section 9-21-601, *Tennessee Code Annotated (TCA)*. However, officials asked for and received retroactive approval from the state Comptroller's Office on August 3, 2012. Also, county officials did not file a Report on Debt Obligation with the state Comptroller's Office for the capital outlay note. Section 9-21-151, *TCA*, 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. Officials filed the Report on Debt Obligation in August 2012. These deficiencies are the result of management's oversight.

RECOMMENDATION

Capital outlay notes should be issued in compliance with state statutes.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.08 EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS
(Material Noncompliance Under *Government Auditing Standards*)

At June 30, 2012, 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

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.

HANCOCK COUNTY

FINDING 12.09 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 their annual financial reports for ten consecutive years. This recurring material finding is listed below:

<u>Last Three Years'</u> <u>Finding Numbers</u>	<u>Description</u>
12.08, 11.08, 10.07	Execution docket trial balances did not reconcile with cash journal accounts in Circuit and General Sessions Courts

The recurring nature of the above-noted 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*.

OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, SHERIFF, AND HOME HEALTH

FINDING 12.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(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.

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 Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Hancock County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program National School Lunch Program	12.11	10.553 10.555	Circular A-133, Compliance Supplement Part 3.J.	Noncompliance - See Finding 12.05 - the School Department had deficiencies in the use of Federal Child Nutrition Program Funds.	\$ 12,439

HANCOCK COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012

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

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

FINDINGS 12.05 and 12.11

Contact person: Mike Antrican, Director of Schools

Corrective action planned: During the administrative review at Hancock County Elementary School it was determined that the Hancock County School Nutrition Program was not following the lunch payment policy, which states that the uncollected student charges must be repaid from another fund to the School Nutrition Program. A total of \$12,439 in charges was uncollected at Hancock Elementary School as of the date of the review.

The Hancock County School Nutrition Program has collected all but \$2,881 of the outstanding charges. A check will be issued to the Hancock County School Nutrition Program for the outstanding balance of \$2,881. In the future, we will follow board policy to settle student accounts before year end. The policy will also be reviewed to determine if any revisions are necessary.

Anticipated completion date: August 20, 2012