

**ANNUAL FINANCIAL REPORT
OF
HAWKINS COUNTY, TENNESSEE
AND
HAWKINS COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
HAWKINS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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This financial report is available at www.comptroller.state.tn.us

HAWKINS COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Hawkins County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Hawkins County as of and for the year ended June 30, 2005.

Results

Our report on Hawkins County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

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

Findings

The following are summaries of the audit findings:

HAWKINS COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Clerk and Master and Sheriff.
- ◆ County officials had not adopted a central system of accounting and budgeting.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Hawkins County Officials

June 30, 2005

Officials:

Crockett Lee, County Mayor
Ben R. Jones, Road Superintendent
Jerry Stewart, Trustee
Don Cinnamon, Assessor of Property
Carroll Jenkins, County Clerk
Holly H. Jaynes, Circuit and General Sessions Courts Clerk
Shirley Graham, Clerk and Master
Judy Kirkpatrick, Register
Warren Rimer, Sheriff

Board of County Commissioners:

Crockett Lee, Chairperson	Hanes Cooper
Claude Parrott, Vice-Chairperson	John D. Eidson
Dwight Carter	Virgil L. Mallett
Sybil Vaughn Trent	Gerald Eidson
Mike Messick	Boyd Goodson
Kenneth H. Long	Billy Henderson
Fred Montgomery	Jerry Davis
Tim Simpson	Darrell Gilliam
Danny Alvis	J. Carmel Maddox
Kathy Derrick	Charlie Newton
Stacy Vaughn	Lynn Short

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 26, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 35, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Hawkins 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 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.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Hawkins County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hawkins County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2005, on our consideration of Hawkins County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Hawkins County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 39 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hawkins County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Hawkins County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2005

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,889	\$ 58,889
Equity in Pooled Cash and Investments	1,576,249	973,408	1,937,109	4,234,098	42,301	1,415,811	10,178,976
Accounts Receivable	120,870	10,950	7,035	12,508	0	4,684	156,047
Due from Other Governments	410,069	372,584	0	0	0	7,298	789,951
Due from Other Funds	40,573	0	0	0	0	71,407	111,980
Property Taxes Receivable	5,624,894	1,298,053	144,228	1,658,623	0	0	8,725,798
Allowance for Uncollectible Property Taxes	(239,595)	(55,291)	(6,143)	(70,650)	0	0	(371,679)
Prepaid Items	143,152	0	0	0	0	0	143,152
Total Assets	\$ 7,676,212	\$ 2,599,704	\$ 2,082,229	\$ 5,834,579	\$ 42,301	\$ 1,558,089	\$ 19,793,114
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 23,680	\$ 74,457	\$ 0	\$ 0	\$ 0	\$ 37,031	\$ 135,168
Accrued Payroll	18,985	0	0	0	0	0	18,985
Payroll Deductions Payable	5	0	0	0	0	0	5
Due to Other Funds	52,841	18,566	0	0	0	40,573	111,980
Due to Component Units	7,538	0	0	0	0	2,940	10,478
Due to State of Tennessee	12,557	0	0	0	0	0	12,557
Deferred Revenue - Current Property Taxes	5,112,501	1,179,808	131,090	1,507,533	0	0	7,930,932
Deferred Revenue - Delinquent Property Taxes	256,088	59,098	6,567	75,513	0	0	397,266
Other Deferred Revenues	181,427	171,325	0	0	0	7,298	360,050
Total Liabilities	\$ 5,665,622	\$ 1,503,254	\$ 137,657	\$ 1,583,046	\$ 0	\$ 87,842	\$ 8,977,421
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 161,768	\$ 6,498	\$ 0	\$ 0	\$ 42,000	\$ 210,680	\$ 420,946
Reserved for Alcohol and Drug Treatment	175,836	0	0	0	0	0	175,836
Reserved for Computer System - Register	101,653	0	0	0	0	0	101,653
Reserved for Automation Purposes - Circuit Court	21,038	0	0	0	0	0	21,038
Reserved for Automation Purposes - Chancery Court	2,987	0	0	0	0	0	2,987
Reserved for Automation Purposes - Sheriff	10,475	0	0	0	0	0	10,475
Unreserved, Reported In:							
General Fund	1,536,833	0	0	0	0	0	1,536,833

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):

Special Revenue Funds

Debt Service Funds

Capital Projects Funds (Deficit)

Total Fund Balances

Total Liabilities and Fund Balances

	Major Funds				Nonmajor	Total	
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects		Other Govern- mental Funds
\$	0	\$ 1,089,952	\$ 0	\$ 0	\$ 0	\$ 220,698	\$ 1,310,650
	0	0	1,944,572	4,251,533	0	1,221,152	7,417,257
	0	0	0	0	301	(182,283)	(181,982)
\$	2,010,590	\$ 1,096,450	\$ 1,944,572	\$ 4,251,533	\$ 42,301	\$ 1,470,247	\$ 10,815,693
\$	7,676,212	\$ 2,599,704	\$ 2,082,229	\$ 5,834,579	\$ 42,301	\$ 1,558,089	\$ 19,793,114

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

Exhibit B

Hawkins County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 6,961,081	\$ 1,351,058	\$ 128,166	\$ 1,926,569	\$ 0	\$ 328,006	\$ 10,694,880
Licenses and Permits	27,714	0	0	0	0	0	27,714
Fines, Forfeitures and Penalties	276,979	0	0	0	0	71,800	348,779
Charges for Current Services	111,685	0	0	0	0	135,632	247,317
Other Local Revenues	182,168	16,838	195,340	342,401	0	43,918	780,665
Fees Received from County Officials	1,761,487	0	0	0	0	0	1,761,487
State of Tennessee	840,305	2,299,550	0	0	0	794,445	3,934,300
Federal Government	177,827	0	0	0	0	617,592	795,419
Other Governments and Citizens Groups	28,440	0	0	188,065	0	75,172	291,677
Total Revenues	\$ 10,367,686	\$ 3,667,446	\$ 323,506	\$ 2,457,035	\$ 0	\$ 2,066,565	\$ 18,882,238
<u>Expenditures</u>							
Current:							
General Government	\$ 1,460,301	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,460,301
Finance	1,009,090	0	0	0	0	0	1,009,090
Administration of Justice	596,920	0	0	0	0	130,214	727,134
Public Safety	3,612,415	0	0	0	0	147,564	3,759,979
Public Health and Welfare	617,262	0	0	0	0	1,119,756	1,737,018
Social, Cultural, and Recreational Services	368,906	0	0	0	0	0	368,906
Agricultural and Natural Resources	113,160	0	0	0	0	0	113,160
Other Operations	1,630,975	0	0	0	0	0	1,630,975
Highways	41,596	3,472,900	0	0	0	0	3,514,496
Capital Outlay	0	0	0	0	10,169,655	0	10,169,655
Debt Service:							
Principal	161,363	0	250,000	778,542	0	295,000	1,484,905
Interest	23,238	0	38,800	730,389	0	60,048	852,475
Other Debt Service	0	0	4,963	112,891	0	3,623	121,477
Capital Projects	0	0	0	0	600	2,531,172	2,531,772
Total Expenditures	\$ 9,635,226	\$ 3,472,900	\$ 293,763	\$ 1,621,822	\$ 10,170,255	\$ 4,287,377	\$ 29,481,343
Excess (Deficiency) of Revenues Over Expenditures	\$ 732,460	\$ 194,546	\$ 29,743	\$ 835,213	\$ (10,170,255)	\$ (2,220,812)	\$ (10,599,105)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 715,000	\$ 250,000	\$ 965,000

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Premiums on Debt Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,196	\$ 1,123	\$ 4,319
Other Loans Issued	0	0	0	0	9,451,459	0	9,451,459
Transfers In	0	0	0	0	0	1,072,090	1,072,090
Transfers Out	(860,200)	(211,890)	0	0	0	0	(1,072,090)
Payments to Refunded Debt Escrow Agent	0	0	0	0	0	(567,064)	(567,064)
Total Other Financing Sources (Uses)	<u>\$ (860,200)</u>	<u>\$ (211,890)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,169,655</u>	<u>\$ 756,149</u>	<u>\$ 9,853,714</u>
Net Change in Fund Balances	\$ (127,740)	\$ (17,344)	\$ 29,743	\$ 835,213	\$ (600)	\$ (1,464,663)	\$ (745,391)
Fund Balance, July 1, 2004	2,138,330	1,113,794	1,914,829	3,416,320	42,901	2,934,910	11,561,084
Fund Balance, June 30, 2005	<u>\$ 2,010,590</u>	<u>\$ 1,096,450</u>	<u>\$ 1,944,572</u>	<u>\$ 4,251,533</u>	<u>\$ 42,301</u>	<u>\$ 1,470,247</u>	<u>\$ 10,815,693</u>

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

Exhibit C

Hawkins County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,611,684
Equity in Pooled Cash and Investments	27,410
Accounts Receivable	1,552
Due from Other Governments	629,004
Property Taxes Receivable	1,026,614
Allowance for Uncollectible Property Taxes	<u>(43,729)</u>
Total Assets	<u>\$ 4,252,535</u>
<u>LIABILITIES</u>	
Due to Cities	\$ 544,541
Due to Other Taxing Units	1,094,758
Due to Litigants, Heirs, and Others	<u>2,613,236</u>
Total Liabilities	<u>\$ 4,252,535</u>

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

HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hawkins County's financial statements are not 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.

Hawkins County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the government-wide statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Hawkins County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Hawkins County's auditor to issue an adverse opinion on the county's financial statements.

Although Hawkins County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Hawkins County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Hawkins County (the primary government).

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Hawkins County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Hawkins County School Department operates the public school system in the county, and the voters of Hawkins 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 Hawkins County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hawkins County, and the Hawkins 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 Hawkins County School Department and the Hawkins County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report, but under the same cover as the county’s financial statements. The Hawkins County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Hawkins County Emergency Communications District can be obtained from its administrative offices at the following address:

Hawkins County Emergency Communications District
407 East Main Street, Suite B
Rogersville, TN 37857

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund financial statements of Hawkins County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Hawkins County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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. Hawkins County considers grant 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 various debt service funds for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus 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.

Hawkins County reports the following major governmental funds:

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

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

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

Education Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt issued for the Hawkins County School Department.

General Capital Projects Fund – This fund accounts for the issuance of debt on behalf of the Hawkins County School Department.

Additionally, Hawkins County reports the following fund type:

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 Hawkins County, and the city school system’s share of educational revenues. 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.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Hawkins County and Hawkins County School Department 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. Income from these pooled investments is assigned to the debt service funds. Hawkins County and the Hawkins County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the 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

Outstanding balances between funds at the end of the fiscal year are reported as due to/from other funds.

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 shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.27 percent of total taxes levied.

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.

3. Prepaid Items

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

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Hawkins County does not maintain capital asset records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Hawkins County does not present government-wide statements.

5. Compensated Absences

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since Hawkins County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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 service expenditures.

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005.

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Unclaimed Funds	\$ 208,324
Sheriff	63,538

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Deficit

The Community Development/Industrial Park Fund (nonmajor governmental fund) had a fund deficit of \$182,283 at June 30, 2005. This fund deficit resulted from the unperformed portions of construction projects of \$91,007, and outstanding orders for equipment of \$114,173, being reserved as encumbrances. Funding for these future expenditures is expected to be received from contributions and state grants.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hawkins County and the Hawkins County School Department participate in an internal cash and investment pool through the Office of Trustee. The Hawkins County School Department meets the criteria for a discretely presented component unit of Hawkins County. Since Hawkins County is presenting fund financial statements only, the financial information for the Hawkins County School Department is not included in the fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, 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 in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2005.

B. Construction Commitments

At June 30, 2005, the Community Development/Industrial Park Fund had uncompleted construction contracts of approximately \$91,007 for the construction of water and sewer lines. Funding for these future expenditures is expected to be received from contributions (\$17,741) and state grants (\$73,266).

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 40,573
Nonmajor governmental	General	52,841
Nonmajor governmental	Highway/Public Works	<u>18,566</u>
Total		<u>\$ 111,980</u>

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.

Due to/from component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit:	Primary government:	
School Department	General	\$ 7,538
School Department	Nonmajor governmental	2,940

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
General Fund	\$ 860,200
Highway/Public Works Fund	<u>211,890</u>
Total	<u>\$ 1,072,090</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.

D. Capital Leases

Hawkins County entered into several capitalized lease agreements in prior years to finance the acquisition of vehicles and equipment. The terms of the agreements provided for original terms of up to ten years at interest rates ranging from 4.76 to 17.51 percent. Title to the vehicles and equipment transfers to Hawkins County at the end of the lease period.

Since Hawkins County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Hawkins County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 180,872
2007	143,150
Total Minimum Lease Payments	\$ 324,022
Amounts Representing Interest	<u>(21,282)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 302,740</u>

E. Long-term Debt

Since Hawkins County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Hawkins County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

The county has issued general obligation bonds and other loans to provide funds to the Hawkins County School Department for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other loans. Capital outlay notes have been 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 17 years for bonds, up to 10 years for notes, and up to 26 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, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund, Special Debt Service Fund, or the Education Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds -			
Refunding	3 to 5 %	\$ 13,520,000	\$ 12,695,000
Capital Outlay Notes	0 to 4.4	5,729,374	4,047,137
Capital Leases	4.76 to 17.51	837,570	302,740
Other Loans	variable	16,000,000	14,305,689

In prior years, Hawkins County entered into a loan agreement with the Sevier County Public Building Authority. This loan agreement provides for the authority to make \$16,000,000 available for loan to Hawkins County on an as-needed basis for school construction and renovation. As of June 20, 2005, Hawkins County had borrowed \$14,305,689. The loan is repayable at a variable interest rate that is a function of the Bond Market Association Index with the rates changing daily and weekly. In addition, the county pays various other fees (broker/dealer fees, administrator fees, trustee fees, auction agent fees, and issuer fees) in connection with this loan. At June 30, 2005, the variable interest rate was 2.3 percent, and other fees amounted to approximately .45 percent of the outstanding loan principal and undrawn proceeds totaling \$16,000,000.

The annual requirements to amortize all general obligation bonds, notes and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 695,000	\$ 566,319	\$ 833,967	\$ 131,450
2007	715,000	541,994	790,192	109,154
2008	740,000	515,181	775,193	83,965
2009	775,000	481,881	485,192	57,248
2010	800,000	450,881	497,593	40,435
2011-2015	4,530,000	1,702,555	665,000	30,713
2016-2019	4,440,000	551,738	0	0
Total	\$ 12,695,000	\$ 4,810,549	\$ 4,047,137	\$ 452,965

Year Ending June 30	Other Loans (\$16,000,000)		
	Principal	Interest	Other Fees
2006	\$ 0	\$ 368,000	\$ 72,000
2007	0	368,000	72,000
2008	0	368,000	72,000
2009	0	368,000	72,000
2010	0	368,000	72,000
2011-2015	0	1,840,000	360,000
2016-2020	1,275,000	1,837,556	359,522
2021-2025	7,375,000	1,357,240	265,547
2026-2029	5,655,689	418,887	81,956
Total	\$ 14,305,689	\$ 7,293,683	\$ 1,427,025

There is \$7,417,257 available in the debt service funds to service long-term debt. General bonded debt per capita amounted to \$237, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases, amounted to \$585, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 13,295,000	\$ 4,365,679	\$ 464,103
Additions	0	965,000	0
Deductions	(600,000)	(723,542)	(161,363)
Refunded	0	(560,000)	0
Balance, June 30, 2005	<u>\$ 12,695,000</u>	<u>\$ 4,047,137</u>	<u>\$ 302,740</u>
Balance Due Within One Year	<u>\$ 695,000</u>	<u>\$ 833,967</u>	<u>\$ 166,095</u>

	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 4,854,230	\$ 340,163
Additions	9,451,459	320,496
Deductions	0	(311,829)
Balance, June 30, 2005	<u>\$ 14,305,689</u>	<u>\$ 348,830</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 313,947</u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

Current Refunding

During the previous fiscal year, on June 23, 2004, Hawkins County issued notes (\$570,000) and held the funds in a debt service reserve account until the net proceeds were used in the current fiscal year, on July 12, 2004, to refund the outstanding balance (\$560,000) of the 1998 Highway Capital Outlay Notes. As a result of the refunding, total debt service payments over the next six years will be reduced by \$24,846 and an economic gain (difference between the present value of the debt service payments of the refunded and refunding notes) of \$23,383 was obtained.

F. Short-term Debt

Hawkins County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating expenses prior to current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance			Balance
	7-1-04	Issued	Redeemed	6-30-05
Tax Anticipation Notes	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, workers' compensation, health, and accident. The county participates in the Local Government Property and Casualty Fund, the Local Government Workers' Compensation Fund, and the Local Government Group Insurance Program, which are public entity risk pools established to provide insurance coverage to member counties, instead of purchasing commercial insurance for these risks. The county pays monthly or annual premiums to these pools for its insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums.

B. Accounting Change

During the year, Hawkins County adopted provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

Jerry Stewart resigned as Hawkins County Trustee effective September 30, 2005, and will be succeeded by Patricia Courtney.

Subsequent to June 30, 2005, Hawkins County drew additional public building authority loans in the amount of \$1,469,768 for the benefit of the Hawkins County School Department.

On August 31, 2005, the county issued capital outlay notes of \$1,100,000 for the purchase of property for a new justice center. Also, subsequent to June 30, 2005, the Hawkins County Commission approved capital outlay notes of \$101,000 for roof repairs to the jail complex. The resolutions provide for the capital outlay notes to be internally financed and to be subsequently retired through the issuance of general obligation bonds. The note for the roof repairs had not been issued as of the date of this report.

Subsequent to June 30, 2005, the Hawkins County Commission approved capital outlay notes not to exceed \$500,000 for road improvements. The notes had not been issued as of the date of this report.

D. Contingent Liabilities

The county mayor has been named as a defendant in a lawsuit involving the juvenile judge. The lawsuit seeks an increase in funding for the judge's office in order to increase the number of staff positions and to provide salary increases for the staff. The claim seeks budgetary increases for the office retroactive to the budget year beginning July 1, 1999. The lawsuit was dismissed in Hawkins County Chancery Court, but the juvenile judge has filed an appeal with the Court of Appeals.

Hawkins County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts (ADA). This lawsuit applies to all Hawkins County facilities. Hawkins County has completed renovations to the courthouse annex that contains an elevator. However, it is uncertain if this will bring the county into compliance with all ADA requirements. Therefore, a reasonable estimate or range of potential loss to the county resulting from this lawsuit cannot be made.

The county is involved in several other pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Joint Ventures

The Hawkins County Library System (formerly the H.B. Stamps Memorial Library) is funded by joint contributions from Hawkins County and the towns of Rogersville, Church Hill, and Mount Carmel. The Hawkins County Library System is managed by a seven-member board, of whom three are appointed by the Hawkins County Commission, three are appointed by the respective towns, and one member at large is jointly appointed. Hawkins County contributed \$90,688 to the operations of the library during the year ended June 30, 2005.

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. Hawkins County made no contributions to the DTF for the year ended June 30, 2005.

The Upper East Tennessee Juvenile Detention Center was formed through a cooperative agreement between Hawkins County and the counties of Carter, Greene, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to facilities of the Department of Correction. This program is governed by a Board of Directors designated by the counties. The Board of Directors has contracted with Keystone Education and Youth Services to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population, for which Hawkins County's participation is 11.4 percent. The county also pays a daily fee for each individual from his or her county using the facility.

Hawkins County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for these joint ventures can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Hawkins County Library System
407 East Main Street
Rogersville, TN 37857

Office of District Attorney General
Judicial District Drug Task Force
109 S. Main Street, Suite 501
Greeneville, TN 37743

Upper East Tennessee Regional Juvenile Detention Center
307 Wesley Street
Johnson City, TN 37601

F. Jointly Governed Organizations

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, Washington, and Unicoi. 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 of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture 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 the daily operation of the center.

G. Retirement Commitments

Plan Description

Employees of Hawkins 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 Hawkins County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hawkins County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.77 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hawkins County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Hawkins County's annual pension cost of \$800,560 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hawkins 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, 2003, was 14 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$800,560	100%	\$0
6-30-04	512,976	100	0
6-30-03	505,699	100	0

Required Supplementary Information

Schedule of Funding Progress for Hawkins County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$27,077	\$27,894	\$817	97.07%	\$11,146	7.33%
6-30-01	24,491	25,428	937	96.32	10,025	9.35
6-30-99	20,975	21,202	227	98.93	8,988	2.53

H. Other Post-employment Benefits

In addition to the retirement commitments described in Note IV.G., Hawkins County provides post-retirement health care benefits to employees who retire from the county and who meet at least one of the eligibility requirements as set forth by the Local Government Group Insurance Program for Local Government Employees. Currently, four retirees meet those eligibility requirements. The county pays 65 percent of medical premiums for the retiree. Expenditures for post-retirement health care benefits are recognized as premiums are paid. During the year, expenditures totaling \$24,371 (General Fund) and \$682 (Highway/Public Works Fund) were recognized for post-employment health care.

I. Purchasing Laws

Purchasing procedures for all departments of Hawkins County are governed by provisions of Chapter 256, Private Acts of 1957, as amended. These acts provide for the county mayor to make all purchases and for purchases exceeding \$2,500 to be made after public advertisement and solicitation of competitive bids, except for the Highway Department. The Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, requires bids for purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,961,081	\$ 0	\$ 0	\$ 6,961,081	\$ 6,715,596	\$ 6,715,596	\$ 245,485
Licenses and Permits	27,714	0	0	27,714	17,500	17,500	10,214
Fines, Forfeitures and Penalties	276,979	0	0	276,979	224,200	224,200	52,779
Charges for Current Services	111,685	0	0	111,685	66,100	88,221	23,464
Other Local Revenues	182,168	0	0	182,168	9,400	48,125	134,043
Fees Received from County Officials	1,761,487	0	0	1,761,487	1,649,000	1,649,000	112,487
State of Tennessee	840,305	0	0	840,305	826,189	977,638	(137,333)
Federal Government	177,827	0	0	177,827	327,862	698,743	(520,916)
Other Governments and Citizens Groups	28,440	0	0	28,440	27,940	27,940	500
Total Revenues	\$ 10,367,686	\$ 0	\$ 0	\$ 10,367,686	\$ 9,863,787	\$ 10,446,963	\$ (79,277)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 67,061	\$ 0	\$ 0	\$ 67,061	\$ 76,600	\$ 76,600	\$ 9,539
Board of Equalization	4,124	0	0	4,124	4,500	4,500	376
Beer Board	1,250	0	0	1,250	2,500	2,500	1,250
Budget and Finance Committee	4,300	0	0	4,300	4,350	4,350	50
County Mayor	278,594	(6,190)	3,803	276,207	276,997	282,985	6,778
County Attorney	24,041	0	0	24,041	23,856	24,056	15
Election Commission	258,713	(9,649)	468	249,532	305,183	271,443	21,911
Register of Deeds	186,919	(4,300)	2,712	185,331	237,061	237,061	51,730
Planning	12,760	0	0	12,760	14,125	14,125	1,365
County Buildings	288,619	(14,118)	194	274,695	349,365	356,135	81,440
Other General Administration	331,972	0	2,167	334,139	376,007	345,872	11,733
Preservation of Records	1,948	0	1,378	3,326	0	5,000	1,674
<u>Finance</u>							
Property Assessor's Office	292,903	(19,275)	131	273,759	283,224	285,840	12,081

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 97,294	\$ 0	\$ 0	\$ 97,294	\$ 107,519	\$ 104,903	\$ 7,609
County Trustee's Office	199,864	(3,015)	9,500	206,349	206,054	209,885	3,536
County Clerk's Office	419,029	(9,684)	4,341	413,686	425,778	425,778	12,092
<u>Administration of Justice</u>							
Circuit Court Clerk	332,680	(550)	0	332,130	332,279	340,330	8,200
Criminal Court	9,122	0	0	9,122	13,000	11,500	2,378
General Sessions Court	169,896	0	0	169,896	166,728	166,728	(3,168)
Chancery Court	11,190	(392)	125	10,923	15,000	15,000	4,077
Juvenile Court	74,032	0	0	74,032	80,888	80,888	6,856
<u>Public Safety</u>							
Sheriff's Department	1,832,278	0	0	1,832,278	2,019,347	1,884,248	51,970
Drug Enforcement	10,849	0	0	10,849	6,600	10,849	0
Jail	1,050,748	(1,705)	0	1,049,043	803,855	1,081,700	32,657
Juvenile Services	149,153	(576)	3,174	151,751	162,128	163,235	11,484
Fire Prevention and Control	170,500	0	0	170,500	162,500	170,500	0
Rescue Squad	45,000	0	45,000	90,000	90,000	90,000	0
Other Emergency Management	261,816	0	1,000	262,816	375,389	695,921	433,105
County Coroner/Medical Examiner	50,692	(2,000)	0	48,692	57,500	57,500	8,808
Other Public Safety	41,379	0	1,338	42,717	48,033	48,033	5,316
<u>Public Health and Welfare</u>							
Local Health Center	263,750	(5,256)	13,520	272,014	313,366	313,366	41,352
Ambulance/Emergency Medical Services	50,000	0	0	50,000	50,000	50,000	0
Dental Health Program	16,012	0	0	16,012	28,600	28,600	12,588
Other Local Health Services	281,562	0	0	281,562	382,700	397,800	116,238
Aid to Dependent Children	5,938	0	0	5,938	6,000	6,000	62

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural and Recreational Services</u>							
Adult Activities	\$ 10,000	\$ 0	\$ 0	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Senior Citizens Assistance	214,275	0	0	214,275	220,113	221,363	7,088
Libraries	90,688	0	0	90,688	90,688	90,688	0
Parks and Fair Boards	53,943	(2,200)	7,395	59,138	88,308	88,308	29,170
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	81,507	0	0	81,507	82,416	82,416	909
Forest Service	1,500	0	0	1,500	1,500	1,500	0
Soil Conservation	27,173	0	0	27,173	31,425	31,425	4,252
Storm Water Management	2,980	0	0	2,980	10,000	10,000	7,020
<u>Other Operations</u>							
Tourism	1,500	0	0	1,500	1,500	1,500	0
Industrial Development	283,478	(590)	365	283,253	296,557	309,555	26,302
Airport	25,824	(1,075)	33,726	58,475	67,477	101,077	42,602
Veterans' Services	55,018	0	71	55,089	57,096	57,096	2,007
Contributions to Other Agencies	17,356	0	0	17,356	17,356	17,356	0
Employee Benefits	952,506	0	0	952,506	1,006,200	1,007,734	55,228
Miscellaneous	295,293	0	31,360	326,653	219,391	339,051	12,398
<u>Highways</u>							
Litter and Trash Collection	41,596	0	0	41,596	41,615	41,615	19
<u>Principal</u>							
General Government	161,363	0	0	161,363	0	162,467	1,104
<u>Interest</u>							
General Government	23,238	0	0	23,238	0	23,638	400
Total Expenditures	\$ 9,635,226	\$ (80,575)	\$ 161,768	\$ 9,716,419	\$ 10,048,674	\$ 10,860,020	\$ 1,143,601
Excess (Deficiency) of Revenues Over Expenditures	\$ 732,460	\$ 80,575	\$ (161,768)	\$ 651,267	\$ (184,887)	\$ (413,057)	\$ 1,064,324

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (860,200)	\$ 0	\$ 0	\$ (860,200)	\$ (846,200)	\$ (860,200)	\$ 0
Total Other Financing Sources (Uses)	\$ (860,200)	\$ 0	\$ 0	\$ (860,200)	\$ (846,200)	\$ (860,200)	\$ 0
Net Change in Fund Balance	\$ (127,740)	\$ 80,575	\$ (161,768)	\$ (208,933)	\$ (1,031,087)	\$ (1,273,257)	\$ 1,064,324
Fund Balance, July 1, 2004	2,138,330	(80,575)	0	2,057,755	1,905,582	1,905,582	152,173
Fund Balance, June 30, 2005	\$ 2,010,590	\$ 0	\$ (161,768)	\$ 1,848,822	\$ 874,495	\$ 632,325	\$ 1,216,497

Exhibit D-2

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,351,058	\$ 0	\$ 0	\$ 1,351,058	\$ 1,319,898	\$ 1,319,898	\$ 31,160
Other Local Revenues	16,838	0	0	16,838	0	0	16,838
State of Tennessee	2,299,550	0	0	2,299,550	2,246,704	2,246,704	52,846
Total Revenues	\$ 3,667,446	\$ 0	\$ 0	\$ 3,667,446	\$ 3,566,602	\$ 3,566,602	\$ 100,844
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 162,741	\$ (103)	\$ 2,166	\$ 164,804	\$ 186,445	\$ 178,100	\$ 13,296
Highway and Bridge Maintenance	2,049,247	(4,761)	0	2,044,486	2,183,484	2,249,784	205,298
Operation and Maintenance of Equipment	413,433	(209)	1,350	414,574	406,137	463,337	48,763
Other Charges	123,845	0	40	123,885	139,000	134,000	10,115
Employee Benefits	250,052	0	0	250,052	277,000	274,845	24,793
Capital Outlay	473,582	(156,010)	2,942	320,514	696,500	642,500	321,986
Total Expenditures	\$ 3,472,900	\$ (161,083)	\$ 6,498	\$ 3,318,315	\$ 3,888,566	\$ 3,942,566	\$ 624,251
Excess (Deficiency) of Revenues Over Expenditures	\$ 194,546	\$ 161,083	\$ (6,498)	\$ 349,131	\$ (321,964)	\$ (375,964)	\$ 725,095
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (211,890)	\$ 0	\$ 0	\$ (211,890)	\$ (216,000)	\$ (216,000)	\$ 4,110
Total Other Financing Sources (Uses)	\$ (211,890)	\$ 0	\$ 0	\$ (211,890)	\$ (216,000)	\$ (216,000)	\$ 4,110
Net Change in Fund Balance	\$ (17,344)	\$ 161,083	\$ (6,498)	\$ 137,241	\$ (537,964)	\$ (591,964)	\$ 729,205
Fund Balance, July 1, 2004	1,113,794	(161,083)	0	952,711	1,040,263	1,040,263	(87,552)
Fund Balance, June 30, 2005	\$ 1,096,450	\$ 0	\$ (6,498)	\$ 1,089,952	\$ 502,299	\$ 448,299	\$ 641,653

HAWKINS COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are adopted for all governmental funds except the Constitutional Officers – Fees Fund, special revenue fund, and the capital projects funds. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body 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. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions relating to the garbage collection and contracted disposal services.

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.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

Special Debt Service Fund – The Special Debt Service Fund is used to account for the accumulation of resources for, and the payment of, the Highway Department's long-term debt principal, interest, and related costs.

Capital Projects Funds

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for transactions relating to the Holston Business Development Center project.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for expenditures related to road repairs.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for transactions relating to a waterline extension project.

Exhibit E-1

Hawkins County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Special Debt Service	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 58,889	\$ 58,889	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,889
Equity in Pooled Cash and Investments	103,793	82,535	0	186,328	1,202,586	22,897	4,000	26,897	1,415,811
Accounts Receivable	4,684	0	0	4,684	0	0	0	0	4,684
Due from Other Governments	7,298	0	0	7,298	0	0	0	0	7,298
Due from Other Funds	52,841	0	0	52,841	18,566	0	0	0	71,407
Total Assets	\$ 168,616	\$ 82,535	\$ 58,889	\$ 310,040	\$ 1,221,152	\$ 22,897	\$ 4,000	\$ 26,897	\$ 1,558,089
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 32,990	\$ 41	\$ 0	\$ 33,031	\$ 0	\$ 0	\$ 4,000	\$ 4,000	\$ 37,031
Due to Other Funds	0	14,327	26,246	40,573	0	0	0	0	40,573
Due to Component Units	2,940	0	0	2,940	0	0	0	0	2,940
Other Deferred Revenues	7,298	0	0	7,298	0	0	0	0	7,298
Total Liabilities	\$ 43,228	\$ 14,368	\$ 26,246	\$ 83,842	\$ 0	\$ 0	\$ 4,000	\$ 4,000	\$ 87,842
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 5,500	\$ 0	\$ 0	\$ 5,500	\$ 0	\$ 205,180	\$ 0	\$ 205,180	\$ 210,680
Unreserved (Deficit)	119,888	68,167	32,643	220,698	1,221,152	(182,283)	0	(182,283)	1,259,567
Total Fund Balances	\$ 125,388	\$ 68,167	\$ 32,643	\$ 226,198	\$ 1,221,152	\$ 22,897	\$ 0	\$ 22,897	\$ 1,470,247
Total Liabilities and Fund Balances	\$ 168,616	\$ 82,535	\$ 58,889	\$ 310,040	\$ 1,221,152	\$ 22,897	\$ 4,000	\$ 26,897	\$ 1,558,089

Exhibit E-2

Hawkins County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				Debt Service Fund
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Special Debt Service
Revenues					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	328,006
Fines, Forfeitures and Penalties	0	71,800	0	71,800	0
Charges for Current Services	466	0	135,166	135,632	0
Other Local Revenues	43,852	0	0	43,852	66
State of Tennessee	12,933	0	0	12,933	0
Federal Government	0	3,115	0	3,115	0
Other Governments and Citizens Groups	0	0	0	0	0
Total Revenues	\$ 57,251	\$ 74,915	\$ 135,166	\$ 267,332	\$ 328,072
Expenditures					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 130,214	\$ 130,214	\$ 0
Public Safety	0	147,564	0	147,564	0
Public Health and Welfare	1,119,756	0	0	1,119,756	0
Debt Service:					
Principal	0	0	0	0	295,000
Interest	0	0	0	0	60,048
Other Debt Service	0	0	0	0	3,623
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 1,119,756	\$ 147,564	\$ 130,214	\$ 1,397,534	\$ 358,671
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,062,505)	\$ (72,649)	\$ 4,952	\$ (1,130,202)	\$ (30,599)
Other Financing Sources (Uses)					
Notes Issued	\$ 250,000	\$ 0	\$ 0	\$ 250,000	\$ 0
Premiums on Debt Issued	1,123	0	0	1,123	0
Transfers In	860,200	0	0	860,200	211,890
Payments to Refunded Debt Escrow Agent	0	0	0	0	(567,064)
Total Other Financing Sources (Uses)	\$ 1,111,323	\$ 0	\$ 0	\$ 1,111,323	\$ (355,174)
Net Change in Fund Balances	\$ 48,818	\$ (72,649)	\$ 4,952	\$ (18,879)	\$ (385,773)
Fund Balance, July 1, 2004	76,570	140,816	27,691	245,077	1,606,925
Fund Balance, June 30, 2005	\$ 125,388	\$ 68,167	\$ 32,643	\$ 226,198	\$ 1,221,152

(Continued)

Exhibit E-2

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Community Development/ Industrial Park	Highway Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 328,006
Fines, Forfeitures and Penalties	0	0	0	0	71,800
Charges for Current Services	0	0	0	0	135,632
Other Local Revenues	0	0	0	0	43,918
State of Tennessee	781,512	0	0	781,512	794,445
Federal Government	341,826	0	272,651	614,477	617,592
Other Governments and Citizens Groups	75,172	0	0	75,172	75,172
Total Revenues	\$ 1,198,510	\$ 0	\$ 272,651	\$ 1,471,161	\$ 2,066,565
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130,214
Public Safety	0	0	0	0	147,564
Public Health and Welfare	0	0	0	0	1,119,756
Debt Service:					
Principal	0	0	0	0	295,000
Interest	0	0	0	0	60,048
Other Debt Service	0	0	0	0	3,623
Capital Projects	1,257,688	1,000,833	272,651	2,531,172	2,531,172
Total Expenditures	\$ 1,257,688	\$ 1,000,833	\$ 272,651	\$ 2,531,172	\$ 4,287,377
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (59,178)	\$ (1,000,833)	\$ 0	\$ (1,060,011)	\$ (2,220,812)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250,000
Premiums on Debt Issued	0	0	0	0	1,123
Transfers In	0	0	0	0	1,072,090
Payments to Refunded Debt Escrow Agent	0	0	0	0	(567,064)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 756,149
Net Change in Fund Balances					
Fund Balance, July 1, 2004	\$ 82,075	\$ 1,000,833	\$ 0	\$ 1,082,908	\$ 2,934,910
Fund Balance, June 30, 2005	\$ 22,897	\$ 0	\$ 0	\$ 22,897	\$ 1,470,247

Exhibit E-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 466	\$ 0	\$ 0	\$ 466	\$ 400	\$ 400	\$ 66
Other Local Revenues	43,852	0	0	43,852	30,000	30,000	13,852
State of Tennessee	12,933	0	0	12,933	30,000	66,000	(53,067)
Total Revenues	\$ 57,251	\$ 0	\$ 0	\$ 57,251	\$ 60,400	\$ 96,400	\$ (39,149)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 7,909	\$ 0	\$ 0	\$ 7,909	\$ 8,845	\$ 8,845	\$ 936
Waste Pickup	401,753	0	1,638	403,391	201,240	410,219	6,828
Convenience Centers	263,557	0	396	263,953	281,450	324,271	60,318
Other Waste Collection	18,691	0	0	18,691	19,877	19,877	1,186
Recycling Center	34,421	0	966	35,387	39,680	101,380	65,993
Landfill Operation and Maintenance	374,940	0	0	374,940	375,888	375,888	948
Other Waste Disposal	18,485	(619)	2,500	20,366	35,000	35,000	14,634
Total Expenditures	\$ 1,119,756	\$ (619)	\$ 5,500	\$ 1,124,637	\$ 961,980	\$ 1,275,480	\$ 150,843
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,062,505)	\$ 619	\$ (5,500)	\$ (1,067,386)	\$ (901,580)	\$ (1,179,080)	\$ 111,694
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 250,000	\$ 0	\$ 0	\$ 250,000	\$ 0	\$ 250,000	\$ 0
Premiums on Debt Issued	1,123	0	0	1,123	0	0	1,123
Transfers In	860,200	0	0	860,200	846,200	860,200	0
Total Other Financing Sources (Uses)	\$ 1,111,323	\$ 0	\$ 0	\$ 1,111,323	\$ 846,200	\$ 1,110,200	\$ 1,123

(Continued)

Exhibit E-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 48,818	\$ 619	\$ (5,500)	\$ 43,937	\$ (55,380)	\$ (68,880)	\$ 112,817
Fund Balance, July 1, 2004	76,570	(619)	0	75,951	56,556	68,880	7,071
Fund Balance, June 30, 2005	\$ 125,388	\$ 0	\$ (5,500)	\$ 119,888	\$ 1,176	\$ 0	\$ 119,888

Exhibit E-4

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 71,800	\$ 45,000	\$ 45,000	\$ 26,800
Federal Government	3,115	0	3,115	0
Total Revenues	<u>\$ 74,915</u>	<u>\$ 45,000</u>	<u>\$ 48,115</u>	<u>\$ 26,800</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 147,564	\$ 122,550	\$ 151,914	\$ 4,350
Total Expenditures	<u>\$ 147,564</u>	<u>\$ 122,550</u>	<u>\$ 151,914</u>	<u>\$ 4,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (72,649)</u>	<u>\$ (77,550)</u>	<u>\$ (103,799)</u>	<u>\$ 31,150</u>
Net Change in Fund Balance	\$ (72,649)	\$ (77,550)	\$ (103,799)	\$ 31,150
Fund Balance, July 1, 2004	140,816	107,346	107,346	33,470
Fund Balance, June 30, 2005	<u>\$ 68,167</u>	<u>\$ 29,796</u>	<u>\$ 3,547</u>	<u>\$ 64,620</u>

Exhibit E-5

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 328,006	\$ 327,500	\$ 327,500	\$ 506
Other Local Revenues	66	0	0	66
Total Revenues	<u>\$ 328,072</u>	<u>\$ 327,500</u>	<u>\$ 327,500</u>	<u>\$ 572</u>
<u>Expenditures</u>				
<u>Principal</u>				
Highways and Streets	\$ 295,000	\$ 369,606	\$ 369,606	\$ 74,606
<u>Interest</u>				
Highways and Streets	60,048	100,780	100,780	40,732
<u>Other Debt Service</u>				
Highways and Streets	3,623	5,900	5,900	2,277
Total Expenditures	<u>\$ 358,671</u>	<u>\$ 476,286</u>	<u>\$ 476,286</u>	<u>\$ 117,615</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,599)</u>	<u>\$ (148,786)</u>	<u>\$ (148,786)</u>	<u>\$ 118,187</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 211,890	\$ 210,000	\$ 210,000	\$ 1,890
Payments to Refunded Debt Escrow Agent	(567,064)	0	(567,064)	0
Total Other Financing Sources (Uses)	<u>\$ (355,174)</u>	<u>\$ 210,000</u>	<u>\$ (357,064)</u>	<u>\$ 1,890</u>
Net Change in Fund Balance	\$ (385,773)	\$ 61,214	\$ (505,850)	\$ 120,077
Fund Balance, July 1, 2004	1,606,925	1,196,471	1,763,535	(156,610)
Fund Balance, June 30, 2005	<u>\$ 1,221,152</u>	<u>\$ 1,257,685</u>	<u>\$ 1,257,685</u>	<u>\$ (36,533)</u>

Major Governmental Funds

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.

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

Education Debt Service Fund – The Education Debt Service Fund is used to account for the accumulation of resources for, and the payment of, education long-term debt principal, interest, and related costs issued for the Hawkins County School Department.

Exhibit F-1

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 128,166	\$ 125,797	\$ 125,797	\$ 2,369
Other Local Revenues	195,340	100,000	100,000	95,340
Total Revenues	<u>\$ 323,506</u>	<u>\$ 225,797</u>	<u>\$ 225,797</u>	<u>\$ 97,709</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 250,000	\$ 250,000	\$ 250,000	\$ 0
<u>Interest</u>				
General Government	38,800	38,800	38,800	0
<u>Other Debt Service</u>				
General Government	4,963	2,700	5,700	737
Total Expenditures	<u>\$ 293,763</u>	<u>\$ 291,500</u>	<u>\$ 294,500</u>	<u>\$ 737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 29,743</u>	<u>\$ (65,703)</u>	<u>\$ (68,703)</u>	<u>\$ 98,446</u>
Net Change in Fund Balance	\$ 29,743	\$ (65,703)	\$ (68,703)	\$ 98,446
Fund Balance, July 1, 2004	1,914,829	1,906,787	1,906,787	8,042
Fund Balance, June 30, 2005	<u>\$ 1,944,572</u>	<u>\$ 1,841,084</u>	<u>\$ 1,838,084</u>	<u>\$ 106,488</u>

Exhibit F-2

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Education Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,926,569	\$ 1,898,605	\$ 1,898,605	\$ 27,964
Other Local Revenues	342,401	140,000	140,000	202,401
Other Governments and Citizens Groups	188,065	0	188,065	0
Total Revenues	<u>\$ 2,457,035</u>	<u>\$ 2,038,605</u>	<u>\$ 2,226,670</u>	<u>\$ 230,365</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 778,542	\$ 609,000	\$ 782,350	\$ 3,808
<u>Interest</u>				
Education	730,389	1,084,319	1,094,034	363,645
<u>Other Debt Service</u>				
Education	112,891	131,000	136,000	23,109
Total Expenditures	<u>\$ 1,621,822</u>	<u>\$ 1,824,319</u>	<u>\$ 2,012,384</u>	<u>\$ 390,562</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 835,213</u>	<u>\$ 214,286</u>	<u>\$ 214,286</u>	<u>\$ 620,927</u>
Net Change in Fund Balance	\$ 835,213	\$ 214,286	\$ 214,286	\$ 620,927
Fund Balance, July 1, 2004	<u>3,416,320</u>	<u>3,268,735</u>	<u>3,268,735</u>	<u>147,585</u>
Fund Balance, June 30, 2005	<u>\$ 4,251,533</u>	<u>\$ 3,483,021</u>	<u>\$ 3,483,021</u>	<u>\$ 768,512</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county 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.

City School ADA - Rogersville Fund – The City Schools ADA - Rogersville Fund is used to account for the city school system’s share of education revenues collected by the county which must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

City School ADA - Kingsport Fund – The City Schools ADA - Kingsport Fund is used to account for the city school system’s share of education revenues collected by the county which must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system 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 the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

Hawkins County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Agency Funds				Total
	Cities - Sales Tax	City School ADA - Rogersville	City School ADA - Kingsport	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 2,611,684	\$ 2,611,684
Equity in Pooled Cash and Investments	0	25,590	1,820	0	27,410
Accounts Receivable	0	0	0	1,552	1,552
Due from Other Governments	544,541	47,838	36,625	0	629,004
Property Taxes Receivable	0	581,455	445,159	0	1,026,614
Allowance for Uncollectible Property Taxes	0	(24,767)	(18,962)	0	(43,729)
Total Assets	<u>\$ 544,541</u>	<u>\$ 630,116</u>	<u>\$ 464,642</u>	<u>\$ 2,613,236</u>	<u>\$ 4,252,535</u>
<u>LIABILITIES</u>					
Due to Cities	\$ 544,541	\$ 0	\$ 0	\$ 0	\$ 544,541
Due to Other Taxing Units	0	630,116	464,642	0	1,094,758
Due to Litigants, Heirs, and Others	0	0	0	2,613,236	2,613,236
Total Liabilities	<u>\$ 544,541</u>	<u>\$ 630,116</u>	<u>\$ 464,642</u>	<u>\$ 2,613,236</u>	<u>\$ 4,252,535</u>

Exhibit G-2

Hawkins County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,667,901	\$ 2,667,901	\$ 0
Due From Other Governments	477,400	544,541	477,400	544,541
Total Assets	\$ 477,400	\$ 3,212,442	\$ 3,145,301	\$ 544,541
<u>Liabilities</u>				
Due to Cities	\$ 477,400	\$ 3,212,442	\$ 3,145,301	\$ 544,541
Total Liabilities	\$ 477,400	\$ 3,212,442	\$ 3,145,301	\$ 544,541
<u>City School ADA - Rogersville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 39,545	\$ 1,558,224	\$ 1,572,179	\$ 25,590
Due From Other Governments	57,172	47,838	57,172	47,838
Property Taxes Receivable	571,346	581,455	571,346	581,455
Allowance for Uncollectible Property Taxes	(28,424)	(24,767)	(28,424)	(24,767)
Total Assets	\$ 639,639	\$ 2,162,750	\$ 2,172,273	\$ 630,116
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 639,639	\$ 2,162,750	\$ 2,172,273	\$ 630,116
Total Liabilities	\$ 639,639	\$ 2,162,750	\$ 2,172,273	\$ 630,116
<u>City School ADA - Kingsport Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 31,015	\$ 1,200,216	\$ 1,229,411	\$ 1,820
Due From Other Governments	46,331	36,625	46,331	36,625
Property Taxes Receivable	449,851	445,159	449,851	445,159
Allowance for Uncollectible Property Taxes	(22,380)	(18,962)	(22,380)	(18,962)
Total Assets	\$ 504,817	\$ 1,663,038	\$ 1,703,213	\$ 464,642
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 504,817	\$ 1,663,038	\$ 1,703,213	\$ 464,642
Total Liabilities	\$ 504,817	\$ 1,663,038	\$ 1,703,213	\$ 464,642
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,163,406	\$ 11,820,990	\$ 10,372,712	\$ 2,611,684
Accounts Receivable	2,605	1,552	2,605	1,552
Total Assets	\$ 1,166,011	\$ 11,822,542	\$ 10,375,317	\$ 2,613,236

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,166,011	\$ 11,822,542	\$ 10,375,317	\$ 2,613,236
Total Liabilities	\$ 1,166,011	\$ 11,822,542	\$ 10,375,317	\$ 2,613,236
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,163,406	\$ 11,820,990	\$ 10,372,712	\$ 2,611,684
Equity in Pooled Cash and Investments	70,560	5,426,341	5,469,491	27,410
Account Receivable	2,605	1,552	2,605	1,552
Due from Other Governments	580,903	629,004	580,903	629,004
Property Taxes Receivable	1,021,197	1,026,614	1,021,197	1,026,614
Allowance for Uncollectible Property Taxes	(50,804)	(43,729)	(50,804)	(43,729)
Total Assets	\$ 2,787,867	\$ 18,860,772	\$ 17,396,104	\$ 4,252,535
<u>Liabilities</u>				
Due to Cities	\$ 477,400	\$ 3,212,442	\$ 3,145,301	\$ 544,541
Due to Other Taxing Units	1,144,456	3,825,788	3,875,486	1,094,758
Due to Litigants, Heirs, and Others	1,166,011	11,822,542	10,375,317	2,613,236
Total Liabilities	\$ 2,787,867	\$ 18,860,772	\$ 17,396,104	\$ 4,252,535

MISCELLANEOUS SCHEDULES

Exhibit H-1

Hawkins County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases and Bonds
 For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Original Outstanding 7-1-04	Issued During Period	Paid and/or		Debt Refunded	Outstanding 6-30-05
							Matured During Period			
NOTES PAYABLE										
<u>Payable through General Debt Service Fund</u>										
Refunding Note - 2002	\$ 1,290,000	4%	12-19-02	5-1-08	\$ 970,000	\$ 0	\$ 250,000	\$ 0	\$ 0	\$ 720,000
Sanitation Equipment	250,000	3 to 3.25	5-26-05	5-1-08	0	250,000	0	0	0	250,000
Total Payable through General Debt Service Fund					\$ 970,000	\$ 250,000	\$ 250,000	\$ 0	\$ 0	\$ 970,000
<u>Payable through Special Debt Service Fund</u>										
Capital Outlay Notes - Highway & Road Construction & Repairs	1,000,000	3.9 to 4.65	5-6-1998	4-1-10	\$ 560,000	\$ 0	\$ 0	\$ 560,000	\$ 0	\$ 0
Capital Outlay Notes - Highway & Road Construction & Repairs	750,000	4.25 to 4.4	7-26-01	8-1-11	600,000	0	75,000	0	0	525,000
Capital Outlay Notes - Highway & Road Construction & Repairs	1,025,000	2 to 3.5	6-23-04	4-1-11	1,025,000	0	125,000	0	0	900,000
Refunding Note - 2004	570,000	2 to 3.35	6-23-04	4-1-10	570,000	0	95,000	0	0	475,000
Total Payable through Special Debt Service Fund					\$ 2,755,000	\$ 0	\$ 295,000	\$ 560,000	\$ 0	\$ 1,900,000
<u>Payable through Education Debt Service Fund</u>										
EPA Asbestos Removal	532,999	0	Various	11-30-09	\$ 28,554	\$ 0	\$ 5,192	\$ 0	\$ 0	\$ 23,362
Capital Outlay Notes - School Buses (1)	283,650	3.63	1-18-02	1-18-05	94,550	0	94,550	0	0	0
Capital Outlay Notes - School Buses (1)	236,375	2.75	1-10-03	1-10-06	157,575	0	78,800	0	0	78,775
Capital Outlay Notes - School Buses (1)	360,000	2 to 3	6-23-04	4-1-08	360,000	0	0	0	0	360,000
Capital Outlay Notes - School Buses (1)	715,000	3 to 3.5	5-26-05	5-1-12	0	715,000	0	0	0	715,000
Total Payable through Education Debt Service Fund					\$ 640,679	\$ 715,000	\$ 178,542	\$ 0	\$ 0	\$ 1,177,137
Total Notes Payable					\$ 4,365,679	\$ 965,000	\$ 723,542	\$ 560,000	\$ 0	\$ 4,047,137
CAPITAL LEASES										
<u>Payable through General Fund</u>										
Voting Machines	290,000	5.65	2-15-1996	3-1-06	\$ 62,212	\$ 0	\$ 30,259	\$ 0	\$ 0	\$ 31,953
Phone System	18,137	17.51	12-15-00	3-15-06	7,709	0	4,008	0	0	3,701

(Continued)

Exhibit H-1

Hawkins 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 7-1-04	Issued During Period	Matured During Period	Debt Refunded	Outstanding 6-30-05
<u>CAPITAL LEASES (CONT.)</u>									
<u>Payable through General Fund (Cont.)</u>									
Automobile - Industrial Board	\$ 14,403	7.05%	2-23-01	1-23-05	\$ 2,584	\$ 0	\$ 2,584	\$ 0	\$ 0
Patrol Cars	529,433	4.76	4-8-03	7-1-06	391,598	0	124,512	0	267,086
Total Payable through General Fund					\$ 464,103	\$ 0	\$ 161,363	\$ 0	\$ 302,740
Total Capital Leases					\$ 464,103	\$ 0	\$ 161,363	\$ 0	\$ 302,740
<u>GENERAL BONDED DEBT</u>									
<u>Payable through Education Debt Service Fund</u>									
Refunding	13,520,000	3 to 5	2-26-02	5-19-19	\$ 13,295,000	\$ 0	\$ 600,000	\$ 0	\$ 12,695,000
Total Payable through Education Debt Service Fund					\$ 13,295,000	\$ 0	\$ 600,000	\$ 0	\$ 12,695,000
Total General Bonded Debt					\$ 13,295,000	\$ 0	\$ 600,000	\$ 0	\$ 12,695,000
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through Education Debt Service Fund</u>									
School Building Program	(2)	Variable	6-4-03	6-1-29	\$ 4,854,230	\$ 9,451,459	\$ 0	\$ 0	\$ 14,305,689
Total Payable through Education Debt Service Fund					\$ 4,854,230	\$ 9,451,459	\$ 0	\$ 0	\$ 14,305,689
Total Other Loans Payable					\$ 4,854,230	\$ 9,451,459	\$ 0	\$ 0	\$ 14,305,689

(1) Funding for repayment of these notes is to be provided by the School Transportation Fund.

(2) The total amount approved for draws under this loan agreement is \$16,000,000 of which \$14,305,689 has been drawn as of June 30, 2005.

Exhibit H-2

Hawkins County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 695,000	566,319	\$ 1,261,319
2007	715,000	541,994	1,256,994
2008	740,000	515,181	1,255,181
2009	775,000	481,881	1,256,881
2010	800,000	450,881	1,250,881
2011	830,000	416,881	1,246,881
2012	865,000	381,606	1,246,606
2013	905,000	342,681	1,247,681
2014	945,000	301,956	1,246,956
2015	985,000	259,431	1,244,431
2016	1,030,000	213,875	1,243,875
2017	1,085,000	164,950	1,249,950
2018	1,135,000	113,413	1,248,413
2019	1,190,000	59,500	1,249,500
Total	<u>\$ 12,695,000</u>	<u>\$ 4,810,549</u>	<u>\$ 17,505,549</u>

Exhibit H-3

Hawkins County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To transfer funds for operations	\$ 860,200
Highway/Public Works	Special Debt Service	For extinguishment of debt	<u>211,890</u>
Total Transfers			<u>\$ 1,072,090</u>

Exhibit H-4

Hawkins County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,258	\$ 50,000	Ohio Casualty Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	64,853	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	58,969	1,457,200	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	58,969	10,000	Ohio Farmers Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	58,969	50,000	Ohio Casualty Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	58,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	68,241 (1)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	58,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	68,384 (2)	25,000	"
Public Employee Dishonest Policy: General County Employees			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$9,272.

(2) Includes law enforcement salary supplement of \$519 and county workhouse supplement of \$3,000.

Exhibit H-5

Hawkins County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,938,044	\$ 0	\$ 0	\$ 0	\$ 1,139,546
Trustee's Collections - Prior Year	281,389	0	0	0	66,645
Circuit/Clerk & Master Collections - Prior Years	94,363	0	0	0	22,320
Interest and Penalty	46,180	0	0	0	10,903
Pick-up Taxes	11,611	0	0	0	2,096
Payments in Lieu of Taxes - T.V.A.	1,408	0	0	0	325
Payments in Lieu of Taxes - Other	5,172	0	0	0	1,195
<u>County Local Option Taxes</u>					
Local Option Sales Tax	706,118	0	0	0	0
Wheel Tax	328,006	0	0	0	0
Litigation Tax - General	168,573	0	0	0	0
Business Tax	200,945	0	0	0	0
Mineral Severance Tax	0	0	0	0	100,008
<u>Statutory Local Taxes</u>					
Bank Excise Tax	34,754	0	0	0	8,020
Wholesale Beer Tax	139,415	0	0	0	0
Interstate Telecommunications Tax	5,103	0	0	0	0
Total Local Taxes	\$ 6,961,081	\$ 0	\$ 0	\$ 0	\$ 1,351,058
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 25,640	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	2,074	0	0	0	0
Total Licenses and Permits	\$ 27,714	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 8,843	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	13,322	0	0	0	0
Drug Control Fines	17,727	0	7,289	0	0
Jail Fees	1,178	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
DUI Treatment Fines	\$ 625	\$ 0	\$ 0	\$ 0	0
Data Entry Fee - Circuit Court	2,281	0	0	0	0
<u>General Sessions Court</u>					
Fines	63,573	0	0	0	0
Officers Costs	42,705	0	0	0	0
Game and Fish Fines	1,655	0	0	0	0
Drug Control Fines	16,944	0	16,641	0	0
Drug Court Fees	7,789	0	0	0	0
Jail Fees	53,007	0	0	0	0
DUI Treatment Fines	17,291	0	0	0	0
Data Entry Fee - General Sessions Court	8,328	0	0	0	0
<u>Juvenile Court</u>					
Fines	1,425	0	0	0	0
Officers Costs	7,371	0	0	0	0
Game and Fish Fines	117	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	1,762	0	0	0	0
Data Entry Fee - Chancery Court	792	0	0	0	0
<u>Other Courts - In-county</u>					
Fines	450	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	9,794	0	47,870	0	0
Total Fines, Forfeitures and Penalties	\$ 276,979	\$ 0	\$ 71,800	\$ 0	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 466	\$ 0	\$ 0	0
Work Release Charges for Board	41,036	0	0	0	0
<u>Fees</u>					
Recreation Fees	5,080	0	0	0	0
Copy Fees	7,137	0	0	0	0
Telephone Commissions	30,168	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Vending Machine Collections	\$ 91	\$ 0	\$ 0	\$ 0	\$ 0
Constitutional Officers' Fees and Commissions	0	0	0	125,894	0
Special Commissioner Fees/Special Master Fees	0	0	0	9,272	0
Data Processing Fee - Register	21,562	0	0	0	0
Data Processing Fee - Sheriff	5,531	0	0	0	0
Sexual Offender Registration Fee	1,080	0	0	0	0
Total Charges for Current Services	\$ 111,685	\$ 466	\$ 0	\$ 135,166	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	6,600	0	0	0	0
Sale of Gasoline	0	0	0	0	1,393
Sale of Recycled Materials	0	42,597	0	0	0
Miscellaneous Refunds	128,423	0	0	0	855
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	0	0
Insurance Recovery	43,109	1,255	0	0	14,590
Sale of Equipment	510	0	0	0	0
Sale of Property	2,201	0	0	0	0
Damages Recovered from Individuals	1,250	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	75	0	0	0	0
Total Other Local Revenues	\$ 182,168	\$ 43,852	\$ 0	\$ 0	\$ 16,838
<u>Fees Received from County Officials</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 439,201	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	207,228	0	0	0	0
General Sessions Court Clerk	234,375	0	0	0	0
Register	272,102	0	0	0	0
Sheriff	15,158	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees In Lieu of Salary (Cont.)</u>					
Trustee	\$ 593,423	\$ 0	\$ 0	\$ 0	\$ 0
Total Fees Received from County Officials	\$ 1,761,487	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 17,559	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	42,945	0	0	0	0
State Reappraisal Grant	20,393	0	0	0	0
Solid Waste Grants	0	12,933	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	17,636	0	0	0	0
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	297,572	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	99,311
State Aid Program	0	0	0	0	182,821
Litter Program	33,004	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	15,725	0	0	0	0
Beer Tax	16,778	0	0	0	0
Alcoholic Beverage Tax	55,182	0	0	0	0
Emergency Hospital - Prisoners	84,685	0	0	0	0
Prisoner Transportation	2,080	0	0	0	0
Contracted Prisoner Boarding	182,600	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,950,384
Petroleum Special Tax	0	0	0	0	43,088
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	16,055	0	0	0	0
Other State Revenues	21,711	0	0	0	23,946
Total State of Tennessee	\$ 840,305	\$ 12,933	\$ 0	\$ 0	\$ 2,299,550

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Job Training Partnership Act	90,764	0	0	0	0
Homeland Security Grants	59,990	0	0	0	0
Other Federal through State	15,000	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	12,073	0	3,115	0	0
Total Federal Government	<u>\$ 177,827</u>	<u>\$ 0</u>	<u>\$ 3,115</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 500	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other</u>					
Other	27,940	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 28,440</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 10,367,686</u>	<u>\$ 57,251</u>	<u>\$ 74,915</u>	<u>\$ 135,166</u>	<u>\$ 3,667,446</u>

(Continued)

Exhibit H-5

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

	Debt Service Funds			Capital Projects Funds		Total
	General Debt Service	Special Debt Service	Education Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 126,622	\$ 0	\$ 1,456,170	\$ 0	\$ 0	\$ 7,660,382
Trustee's Collections - Prior Year	0	0	85,074	0	0	433,108
Circuit/Clerk & Master Collections - Prior Years	125	0	28,520	0	0	145,328
Interest and Penalty	144	0	13,932	0	0	71,159
Pick-up Taxes	220	0	2,678	0	0	16,605
Payments in Lieu of Taxes - T.V.A.	36	0	415	0	0	2,184
Payments in Lieu of Taxes - Other	128	0	1,526	0	0	8,021
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	706,118
Wheel Tax	0	328,006	328,006	0	0	984,018
Litigation Tax - General	0	0	0	0	0	168,573
Business Tax	0	0	0	0	0	200,945
Mineral Severance Tax	0	0	0	0	0	100,008
<u>Statutory Local Taxes</u>						
Bank Excise Tax	891	0	10,248	0	0	53,913
Wholesale Beer Tax	0	0	0	0	0	139,415
Interstate Telecommunications Tax	0	0	0	0	0	5,103
Total Local Taxes	\$ 128,166	\$ 328,006	\$ 1,926,569	\$ 0	\$ 0	\$ 10,694,880
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,640
<u>Permits</u>						
Beer Permits	0	0	0	0	0	2,074
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,714
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,843
Officers Costs	0	0	0	0	0	13,322
Drug Control Fines	0	0	0	0	0	25,016
Jail Fees	0	0	0	0	0	1,178

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		<u>Total</u>
	<u>General Debt Service</u>	<u>Special Debt Service</u>	<u>Education Debt Service</u>	<u>Community Development/Industrial Park</u>	<u>Other Capital Projects</u>	
<u>Fines, Forfeitures and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
DUI Treatment Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	625
Data Entry Fee - Circuit Court	0	0	0	0	0	2,281
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	63,573
Officers Costs	0	0	0	0	0	42,705
Game and Fish Fines	0	0	0	0	0	1,655
Drug Control Fines	0	0	0	0	0	33,585
Drug Court Fees	0	0	0	0	0	7,789
Jail Fees	0	0	0	0	0	53,007
DUI Treatment Fines	0	0	0	0	0	17,291
Data Entry Fee - General Sessions Court	0	0	0	0	0	8,328
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	1,425
Officers Costs	0	0	0	0	0	7,371
Game and Fish Fines	0	0	0	0	0	117
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	1,762
Data Entry Fee - Chancery Court	0	0	0	0	0	792
<u>Other Courts - In-county</u>						
Fines	0	0	0	0	0	450
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	57,664
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	348,779
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	466
Work Release Charges for Board	0	0	0	0	0	41,036
<u>Fees</u>						
Recreation Fees	0	0	0	0	0	5,080
Copy Fees	0	0	0	0	0	7,137
Telephone Commissions	0	0	0	0	0	30,168

(Continued)

Exhibit H-5

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

	Debt Service Funds			Capital Projects Funds		Total
	General Debt Service	Special Debt Service	Education Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Vending Machine Collections	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	91
Constitutional Officers' Fees and Commissions	0	0	0	0	0	125,894
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	9,272
Data Processing Fee - Register	0	0	0	0	0	21,562
Data Processing Fee - Sheriff	0	0	0	0	0	5,531
Sexual Offender Registration Fee	0	0	0	0	0	1,080
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	247,317
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 194,786	\$ 0	\$ 342,401	\$ 0	\$ 0	537,187
Lease/Rentals	0	0	0	0	0	6,600
Sale of Gasoline	0	0	0	0	0	1,393
Sale of Recycled Materials	0	0	0	0	0	42,597
Miscellaneous Refunds	0	0	0	0	0	129,278
<u>Nonrecurring Items</u>						
Accrued Interest on Debt Issues	554	66	0	0	0	620
Insurance Recovery	0	0	0	0	0	58,954
Sale of Equipment	0	0	0	0	0	510
Sale of Property	0	0	0	0	0	2,201
Damages Recovered from Individuals	0	0	0	0	0	1,250
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	75
Total Other Local Revenues	\$ 195,340	\$ 66	\$ 342,401	\$ 0	\$ 0	780,665
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	439,201
Circuit Court Clerk	0	0	0	0	0	207,228
General Sessions Court Clerk	0	0	0	0	0	234,375
Register	0	0	0	0	0	272,102
Sheriff	0	0	0	0	0	15,158

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		<u>Total</u>
	<u>General Debt Service</u>	<u>Special Debt Service</u>	<u>Education Debt Service</u>	<u>Community Development/Industrial Park</u>	<u>Other Capital Projects</u>	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees In Lieu of Salary (Cont.)</u>						
Trustee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 593,423
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,761,487
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,559
Aging Programs	0	0	0	0	0	42,945
State Reappraisal Grant	0	0	0	0	0	20,393
Solid Waste Grants	0	0	0	0	0	12,933
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	17,636
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	0	0	0	0	0	297,572
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	99,311
State Aid Program	0	0	0	0	0	182,821
Litter Program	0	0	0	0	0	33,004
Tennessee Industrial Infrastructure Program	0	0	0	781,512	0	781,512
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	15,725
Beer Tax	0	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	0	55,182
Emergency Hospital - Prisoners	0	0	0	0	0	84,685
Prisoner Transportation	0	0	0	0	0	2,080
Contracted Prisoner Boarding	0	0	0	0	0	182,600
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,950,384
Petroleum Special Tax	0	0	0	0	0	43,088
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	16,055
Other State Revenues	0	0	0	0	0	45,657
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 781,512	\$ 0	\$ 3,934,300

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		<u>Total</u>
	<u>General Debt Service</u>	<u>Special Debt Service</u>	<u>Education Debt Service</u>	<u>Community Development/Industrial Park</u>	<u>Other Capital Projects</u>	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 341,826	\$ 0	\$ 341,826
Job Training Partnership Act	0	0	0	0	0	90,764
Homeland Security Grants	0	0	0	0	0	59,990
Other Federal through State	0	0	0	0	272,651	287,651
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	15,188
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 341,826	\$ 272,651	\$ 795,419
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 188,065	\$ 75,172	\$ 0	\$ 263,737
<u>Other</u>						
Other	0	0	0	0	0	27,940
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 188,065	\$ 75,172	\$ 0	\$ 291,677
Total	\$ 323,506	\$ 328,072	\$ 2,457,035	\$ 1,198,510	\$ 272,651	\$ 18,882,238

Exhibit H-6

Hawkins County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	24,900	
Other Per Diem & Fees		12,650	
Audit Services		12,276	
Printing, Stationery and Forms		100	
Travel		16,835	
Tuition		300	
Total County Commission			\$ 67,061

Board of Equalization

Board and Committee Members Fees	\$	3,960	
Travel		164	
Total Board of Equalization			4,124

Beer Board

Board and Committee Members Fees	\$	1,250	
Total Beer Board			1,250

Budget and Finance Committee

Board and Committee Members Fees	\$	4,150	
Other Supplies and Materials		150	
Total Budget and Finance Committee			4,300

County Mayor

County Official/Administrative Officer	\$	71,258	
Accountants/Bookkeepers		154,578	
Part-time Personnel		2,002	
Overtime Pay		11,598	
Other Salaries & Wages		2,987	
Communication		2,158	
Maintenance Agreements		11,124	
Rentals		4,507	
Travel		2,930	
Office Supplies		6,193	
Data Processing Equipment		8,872	
Office Equipment		387	
Total County Mayor			278,594

County Attorney

County Official/Administrative Officer	\$	23,606	
Travel		435	
Total County Attorney			24,041

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

Supervisor/Director	\$	53,072	
Deputy(ies)		70,171	
Overtime Pay		8,147	
Election Commission		9,420	
Election Workers		55,814	
Communication		4,369	
Dues and Memberships		225	
Operating Lease Payments		4,087	
Legal Notices, Recording and Court Costs		6,069	
Maintenance & Repair Services- Office Equipment		9,990	
Postal Charges		4,850	
Rentals		1,305	
Travel		8,378	
Tuition		98	
Other Contracted Services		8,840	
Office Supplies		7,054	
Other Charges		234	
Other Equipment		6,590	
Total Election Commission			\$ 258,713

Register of Deeds

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		67,783	
Clerical Personnel		15,001	
Part-time Personnel		2,243	
Communication		3,551	
Dues and Memberships		135	
Rentals		3,641	
Maintenance and Repair Services - Records		8,000	
Other Contracted Services		19,000	
Office Supplies		8,316	
Office Equipment		280	
Total Register of Deeds			186,919

Planning

Board and Committee Members Fees	\$	1,260	
Contracts with Government Agencies		11,500	
Total Planning			12,760

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	23,113	
Custodial Personnel		52,990	
Part-time Personnel		1,157	
Communication		1,628	
Contracts with Government Agencies		15,097	
Janitorial Services		4,076	
Laundry Service		1,367	
Maintenance & Repair Services- Buildings		13,876	
Maintenance & Repair Services- Equipment		2,912	
Maintenance & Repair Services- Office Equipment		400	
Maintenance & Repair Services- Vehicles		481	
Pest Control		2,572	
Rentals		13,377	
Other Contracted Services		6,355	
Custodial Supplies		8,154	
Gasoline		1,220	
Small Tools		520	
Utilities		112,411	
Other Supplies and Materials		7,418	
Other Charges		320	
Building Improvements		15,421	
Other Equipment		3,754	
Total County Buildings			\$ 288,619

Other General Administration

Dues and Memberships	\$	10,472	
Legal Notices, Recording and Court Costs		1,353	
Maintenance Agreements		7,020	
Postal Charges		45,242	
Duplicating Supplies		6,351	
Building and Contents Insurance		2,420	
Liability Insurance		182,240	
Premiums on Corporate Surety Bonds		3,274	
Workers' Compensation Insurance		70,238	
Liability Claims		3,322	
Other Charges		40	
Total Other General Administration			331,972

Preservation of Records

Other Supplies and Materials	\$	1,948	
Total Preservation of Records			1,948

(Continued)

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		149,521	
Communication		2,622	
Data Processing Services		19,216	
Dues and Memberships		455	
Legal Notices, Recording and Court Costs		66	
Maintenance Agreements		1,281	
Maintenance & Repair Services- Office Equipment		50	
Maintenance & Repair Services- Vehicles		336	
Rentals		1,980	
Travel		2,878	
Other Contracted Services		42,340	
Gasoline		1,912	
Office Supplies		3,605	
Tires and Tubes		506	
Other Supplies and Materials		3,276	
Other Charges		145	
Office Equipment		3,745	
Total Property Assessor's Office			\$ 292,903

Reappraisal Program

Supervisor/Director	\$	33,482	
Deputy(ies)		44,766	
Data Processing Services		7,002	
Maintenance Agreements		6,545	
Postal Charges		1,121	
Office Supplies		1,009	
Other Capital Outlay		3,369	
Total Reappraisal Program			97,294

County Trustee's Office

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		75,818	
Temporary Personnel		29,297	
Other Salaries & Wages		7,171	
Communication		4,293	
Dues and Memberships		160	
Legal Notices, Recording and Court Costs		193	
Maintenance & Repair Services- Office Equipment		5,312	
Rentals		604	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Travel	\$	951	
Permits		150	
Office Supplies		5,776	
Other Capital Outlay		11,170	
Total County Trustee's Office			\$ 199,864

County Clerk's Office

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		290,434	
Part-time Personnel		11,497	
Other Per Diem & Fees		200	
Communication		10,995	
Dues and Memberships		75	
Legal Notices, Recording and Court Costs		50	
Maintenance & Repair Services- Office Equipment		14,894	
Rentals		5,175	
Travel		2,688	
Office Supplies		7,522	
Office Equipment		16,530	
Total County Clerk's Office			419,029

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		201,410	
Part-time Personnel		16,681	
Jury and Witness Fees		5,475	
Communication		7,415	
Dues and Memberships		120	
Legal Notices, Recording and Court Costs		728	
Maintenance Agreements		6,506	
Maintenance & Repair Services- Office Equipment		551	
Rentals		4,117	
Travel		2,889	
Office Supplies		14,165	
Other Supplies and Materials		2,932	
Other Charges		513	
Data Processing Equipment		5,710	
Office Equipment		4,499	
Total Circuit Court Clerk			332,680

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Criminal Court

Jury and Witness Fees	\$	9,122	
Total Criminal Court			\$ 9,122

General Sessions Court

Judge(s)	\$	100,158	
Secretary(s)		28,960	
Clerical Personnel		25,977	
Communication		1,208	
Maintenance & Repair Services- Office Equipment		140	
Rentals		1,641	
Travel		917	
Office Supplies		286	
Other Supplies and Materials		2,268	
Other Charges		7,789	
Other Capital Outlay		552	
Total General Sessions Court			169,896

Chancery Court

Communication	\$	1,722	
Rentals		2,961	
Office Supplies		5,022	
Office Equipment		1,485	
Total Chancery Court			11,190

Juvenile Court

Judge(s)	\$	23,067	
Secretary(s)		24,203	
Clerical Personnel		23,538	
In-Service Training		753	
Dues and Memberships		800	
Legal Services		27	
Travel		1,352	
Other Supplies and Materials		292	
Total Juvenile Court			74,032

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,865	
Deputy(ies)		706,100	
Detective(s)		189,064	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Captain(s)	\$	42,785	
Lieutenant(s)		117,113	
Sergeant(s)		178,299	
Salary Supplements		20,636	
Secretary(s)		22,718	
Part-time Personnel		560	
Overtime Pay		87,320	
Other Salaries & Wages		12,988	
In-Service Training		10,951	
Life Insurance		2,641	
Medical Insurance		176,368	
Communication		19,077	
Dues and Memberships		300	
Maintenance Agreements		3,656	
Maintenance & Repair Services- Equipment		327	
Maintenance & Repair Services- Vehicles		46,592	
Rentals		3,684	
Tow-in Services		2,010	
Travel		48	
Animal Food and Supplies		1,190	
Gasoline		80,946	
Law Enforcement Supplies		813	
Office Supplies		2,138	
Tires and Tubes		10,484	
Uniforms		14,213	
Other Supplies and Materials		1,001	
Other Charges		2,946	
Office Equipment		1,753	
Other Capital Outlay		8,692	
Total Sheriff's Department			\$ 1,832,278

Drug Enforcement

Salary Supplements	\$	6,600	
Overtime Pay		3,630	
Other Fringe Benefits		619	
Total Drug Enforcement			10,849

Jail

Medical Personnel	\$	21,355	
Guards		301,493	

(Continued)

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

General Fund (Cont.)
Public Safety (Cont.)
Jail (Cont.)

Cafeteria Personnel	\$	31,701	
Part-time Personnel		7,993	
Overtime Pay		29,636	
Other Salaries & Wages		3,994	
In-Service Training		769	
Life Insurance		922	
Medical Insurance		40,115	
Communication		3,140	
Maintenance Agreements		2,663	
Maintenance & Repair Services- Buildings		25,434	
Medical and Dental Services		35,000	
Postal Charges		595	
Travel		502	
Custodial Supplies		13,549	
Drugs and Medical Supplies		99,144	
Food Preparation Supplies		9,056	
Food Supplies		116,488	
Office Supplies		1,821	
Prisoners Clothing		2,349	
Uniforms		164	
Utilities		36,737	
Other Supplies and Materials		12,785	
Liability Insurance		89	
Medical Claims		246,473	
Other Charges		1,016	
Office Equipment		725	
Other Capital Outlay		5,040	
Total Jail			\$ 1,050,748

Juvenile Services

Supervisor/Director	\$	29,435
Youth Service Officer(s)		34,984
Salary Supplements		8,800
Other Salaries & Wages		1,107
Communication		4,861
Contracts with Other Public Agencies		61,143
Maintenance & Repair Services- Office Equipment		2,216
Travel		1,475
Gasoline		91
Office Supplies		1,843

(Continued)

Exhibit H-6

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Juvenile Services (Cont.)</u>		
Other Supplies and Materials	\$ 867	
Office Equipment	<u>2,331</u>	
Total Juvenile Services		\$ 149,153
 <u>Fire Prevention and Control</u>		
Contributions	<u>\$ 170,500</u>	
Total Fire Prevention and Control		170,500
 <u>Rescue Squad</u>		
Contributions	<u>\$ 45,000</u>	
Total Rescue Squad		45,000
 <u>Other Emergency Management</u>		
Supervisor/Director	\$ 14,400	
Other Fringe Benefits	2,272	
Contributions	135,000	
Office Supplies	10	
Other Charges	14	
Other Equipment	<u>110,120</u>	
Total Other Emergency Management		261,816
 <u>County Coroner/Medical Examiner</u>		
Other Per Diem & Fees	\$ 10,610	
Contracts with Government Agencies	27,861	
Other Charges	<u>12,221</u>	
Total County Coroner/Medical Examiner		50,692
 <u>Other Public Safety</u>		
Supervisor/Director	\$ 30,883	
Overtime Pay	2,730	
Communication	1,042	
Maintenance & Repair Services- Vehicles	416	
Gasoline	3,403	
Office Supplies	134	
Other Supplies and Materials	1,232	
Data Processing Equipment	<u>1,539</u>	
Total Other Public Safety		41,379

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Salary Supplements	\$	16,652	
Other Salaries & Wages		122,065	
Other Fringe Benefits		41,899	
Communication		14,789	
Dues and Memberships		225	
Evaluation and Testing		40	
Operating Lease Payments		6,747	
Maintenance & Repair Services- Buildings		3,514	
Maintenance & Repair Services- Equipment		319	
Pest Control		1,078	
Postal Charges		8,775	
Travel		4,040	
Other Contracted Services		2,112	
Custodial Supplies		5,831	
Drugs and Medical Supplies		7,941	
Office Supplies		6,682	
Other Supplies and Materials		1,945	
Liability Insurance		178	
Other Charges		497	
Other Capital Outlay		18,421	
Total Local Health Center			\$ 263,750

Ambulance/Emergency Medical Services

Contributions	\$	50,000	
Total Ambulance/Emergency Medical Services			50,000

Dental Health Program

Other Salaries & Wages	\$	8,543	
Other Fringe Benefits		4,733	
Travel		591	
Other Supplies and Materials		1,800	
Refunds		345	
Total Dental Health Program			16,012

Other Local Health Services

Other Salaries & Wages	\$	209,025	
Other Fringe Benefits		65,260	
Travel		5,457	
Other Supplies and Materials		1,165	
Liability Insurance		655	
Total Other Local Health Services			281,562

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Aid to Dependent Children

Other Charges	\$ 5,938	
Total Aid to Dependent Children		\$ 5,938

Social, Cultural and Recreational Services

Adult Activities

Contributions	\$ 10,000	
Total Adult Activities		10,000

Senior Citizens Assistance

Supervisor/Director	\$ 21,884	
Social Workers	12,232	
Bus Drivers	18,493	
Secretary(s)	18,853	
Other Salaries & Wages	19,209	
Other Fringe Benefits	10,731	
Communication	3,053	
Contracts with Government Agencies	38,919	
Contributions	41,000	
Maintenance & Repair Services- Vehicles	300	
Rentals	5,696	
Transportation - Other than Students	7,281	
Travel	3,102	
Other Contracted Services	2,778	
Custodial Supplies	486	
Gasoline	542	
Office Supplies	548	
Utilities	8,318	
Other Supplies and Materials	750	
Other Charges	100	
Total Senior Citizens Assistance		214,275

Libraries

Contributions	\$ 90,688	
Total Libraries		90,688

Parks and Fair Boards

Custodial Personnel	\$ 16,308
Temporary Personnel	22,785
Communication	1,204
Maintenance & Repair Services- Equipment	255

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Rentals	\$	1,110	
Custodial Supplies		1,466	
Gasoline		1,722	
Water and Sewer		129	
Other Supplies and Materials		2,729	
Other Charges		1,287	
Other Capital Outlay		4,948	
Total Parks and Fair Boards			\$ 53,943

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	7,107	
Salary Supplements		58,660	
Part-time Personnel		6,020	
Other Fringe Benefits		1,413	
Communication		3,160	
Rentals		1,809	
Travel		1,138	
Other Charges		2,200	
Total Agriculture Extension Service			81,507

Forest Service

Contracts with Other Public Agencies	\$	1,500	
Total Forest Service			1,500

Soil Conservation

Clerical Personnel	\$	20,685	
Part-time Personnel		2,988	
Contracts with Other Public Agencies		3,500	
Total Soil Conservation			27,173

Storm Water Management

Permits	\$	2,500	
Other Supplies and Materials		480	
Total Storm Water Management			2,980

Other Operations

Tourism

Other Charges	\$	1,500	
Total Tourism			1,500

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Supervisor/Director	\$	52,091	
Secretary(s)		23,760	
Part-time Personnel		9,666	
Other Salaries & Wages		78,410	
Other Fringe Benefits		13,576	
Accounting Services		1,800	
Advertising		819	
Communication		7,070	
Contributions		62,000	
Dues and Memberships		1,495	
Engineering Services		8,511	
Legal Services		785	
Maintenance & Repair Services- Equipment		513	
Maintenance & Repair Services- Vehicles		290	
Rentals		1,365	
Travel		1,584	
Other Contracted Services		2,880	
Electricity		8,022	
Gasoline		2,330	
Office Supplies		800	
Tires and Tubes		320	
Other Supplies and Materials		472	
Other Charges		385	
Maintenance Equipment		4,414	
Office Equipment		120	
Total Industrial Development			\$ 283,478

Airport

Legal Notices, Recording and Court Costs	\$	110	
Maintenance & Repair Services- Equipment		4,587	
Permits		335	
Other Contracted Services		1,476	
Other Supplies and Materials		140	
Other Capital Outlay		19,176	
Total Airport			25,824

Veterans' Services

Supervisor/Director	\$	27,255	
Secretary(s)		23,316	
Communication		1,868	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Dues and Memberships	\$	25	
Rentals		582	
Travel		1,233	
Office Supplies		439	
Office Equipment		300	
Total Veterans' Services			\$ 55,018

Contributions to Other Agencies

Contributions	\$	17,356	
Total Contributions to Other Agencies			17,356

Employee Benefits

Social Security	\$	311,350	
State Retirement		278,498	
Life Insurance		4,924	
Medical Insurance		349,234	
Unemployment Compensation		8,500	
Total Employee Benefits			952,506

Miscellaneous

Contracts with Other Public Agencies	\$	5,341	
Contributions		17,000	
Operating Lease Payments		750	
Legal Services		14,861	
Other Supplies and Materials		773	
Trustee's Commission		154,131	
Other Charges		275	
Interest on Notes		1,335	
Land		100,000	
Other Capital Outlay		827	
Total Miscellaneous			295,293

Highways

Litter and Trash Collection

Other Salaries & Wages	\$	24,397	
Other Fringe Benefits		3,654	
Communication		121	
Contracts with Other Public Agencies		8,000	
Gasoline		1,750	
Other Supplies and Materials		2,514	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

Workers' Compensation Insurance	\$ 1,160	
Total Litter and Trash Collection		\$ 41,596

Principal

General Government

Principal on Capitalized Leases	\$ 161,363	
Total General Government		161,363

Interest

General Government

Interest on Capitalized Leases	\$ 23,238	
Total General Government		<u>23,238</u>

Total General Fund		\$ 9,635,226
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 6,000	
Other Fringe Benefits	865	
Communication	313	
Travel	477	
Workers' Compensation Insurance	<u>254</u>	
Total Sanitation Management		\$ 7,909

Waste Pickup

Truck Drivers	\$ 81,784
Overtime Pay	9,629
Other Fringe Benefits	26,841
Communication	184
Maintenance & Repair Services- Vehicles	19,381
Equipment and Machinery Parts	645
Gasoline	33,346
Lubricants	1,038
Tires and Tubes	13,699
Vehicle Parts	1,777
Other Supplies and Materials	2,997
Workers' Compensation Insurance	4,206
Underwriter's Discount	2,118
Motor Vehicles	203,478

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Other Capital Outlay	\$ 630	
Total Waste Pickup		\$ 401,753

Convenience Centers

Laborers	\$ 173,679	
Overtime Pay	5,082	
Other Fringe Benefits	35,631	
Communication	5,573	
Operating Lease Payments	5,500	
Maintenance & Repair Services- Equipment	4,671	
Rentals	4,875	
Crushed Stone	485	
Utilities	4,108	
Other Supplies and Materials	2,404	
Workers' Compensation Insurance	8,111	
Land	9,850	
Other Construction	1,988	
Other Capital Outlay	1,600	
Total Convenience Centers		263,557

Other Waste Collection

Overtime Pay	\$ 427	
Other Salaries & Wages	15,183	
Other Fringe Benefits	2,372	
Communication	43	
Workers' Compensation Insurance	605	
Other Charges	61	
Total Other Waste Collection		18,691

Recycling Center

Overtime Pay	\$ 427	
Other Salaries & Wages	18,678	
Other Fringe Benefits	2,843	
Communication	648	
Dues and Memberships	400	
Maintenance & Repair Services- Buildings	42	
Maintenance & Repair Services- Equipment	1,279	
Travel	380	
Crushed Stone	289	
Gasoline	483	

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Office Supplies	\$	15	
Utilities		3,590	
Other Supplies and Materials		2,742	
Workers' Compensation Insurance		905	
Solid Waste Equipment		1,700	
Total Recycling Center			\$ 34,421

Landfill Operation and Maintenance

Contracts for Landfill Facilities	\$	348,887	
Surcharge		26,053	
Total Landfill Operation and Maintenance			374,940

Other Waste Disposal

Disposal Fees	\$	18,485	
Total Other Waste Disposal			18,485

Total Solid Waste/Sanitation Fund \$ 1,119,756

Drug Control Fund

Public Safety

Drug Enforcement

Overtime Pay	\$	53,731	
Other Fringe Benefits		9,154	
Communication		1,474	
Confidential Drug Enforcement Payments		30,000	
Maintenance & Repair Services- Vehicles		6,487	
Travel		569	
Electricity		1,686	
Gasoline		4,457	
Uniforms		508	
Vehicle Parts		502	
Other Supplies and Materials		5,857	
Liability Insurance		10,686	
Trustee's Commission		850	
Other Charges		4,076	
Other Capital Outlay		17,527	
Total Drug Enforcement			\$ 147,564

Total Drug Control Fund 147,564

(Continued)

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

County Official/Administrative Officer	\$	58,969	
Deputy(ies)		57,130	
Overtime Pay		2,715	
Special Commissioner Fees/Special Master Fees		9,272	
Travel		1,839	
Other Charges		289	
Total Chancery Court			\$ 130,214

Total Constitutional Officers - Fees Fund \$ 130,214

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,853	
Secretary(s)		69,147	
Overtime Pay		4	
Communication		2,592	
Dues and Memberships		2,533	
Laundry Service		1,636	
Legal Notices, Recording and Court Costs		86	
Maintenance Agreements		2,028	
Maintenance & Repair Services- Equipment		254	
Pest Control		376	
Printing, Stationery and Forms		393	
Rentals		2,951	
Other Contracted Services		350	
Custodial Supplies		1,118	
Drugs and Medical Supplies		388	
Electricity		6,400	
Natural Gas		3,994	
Office Supplies		1,777	
Water and Sewer		480	
Other Charges		94	
Office Equipment		1,287	
Total Administration			\$ 162,741

Highway and Bridge Maintenance

Foremen	\$	29,703
Equipment Operators		274,625
Truck Drivers		253,877

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	390,865	
Overtime Pay		16,344	
Laundry Service		11,202	
Rentals		8,268	
Other Contracted Services		279,379	
Asphalt - Hot Mix		76,222	
Asphalt - Liquid		305,110	
Concrete		3,453	
Crushed Stone		309,174	
Pipe - Metal		66,200	
Road Signs		11,438	
Salt		5,731	
Other Supplies and Materials		6,965	
Other Charges		451	
Other Equipment		240	
Total Highway and Bridge Maintenance			\$ 2,049,247

Operation and Maintenance of Equipment

Foremen	\$	31,660	
Mechanic(s)		49,623	
Laborers		25,242	
Overtime Pay		539	
Laundry Service		2,939	
Maintenance & Repair Services- Buildings		361	
Maintenance & Repair Services- Equipment		2,086	
Maintenance & Repair Services- Vehicles		7,761	
Rentals		936	
Tow-in Services		1,325	
Diesel Fuel		70,631	
Equipment and Machinery Parts		135,600	
Garage Supplies		776	
Gasoline		46,210	
Lubricants		5,756	
Tires and Tubes		24,164	
Other Supplies and Materials		7,557	
Other Charges		174	
Other Equipment		93	
Total Operation and Maintenance of Equipment			413,433

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Evaluation and Testing	\$	3,502	
Trustee's Commission		48,924	
Workers' Compensation Insurance		71,419	
Total Other Charges			\$ 123,845

Employee Benefits

Social Security	\$	91,027	
State Retirement		63,927	
Life Insurance		2,579	
Medical Insurance		78,462	
Unemployment Compensation		14,057	
Total Employee Benefits			250,052

Capital Outlay

Engineering Services	\$	3,623	
Bridge Construction		208,296	
Communication Equipment		3,786	
Highway Equipment		6,000	
State Aid Projects		229,970	
Other Capital Outlay		21,907	
Total Capital Outlay			473,582

Total Highway/Public Works Fund \$ 3,472,900

General Debt Service Fund

Principal

General Government

Principal on Notes	\$	250,000	
Total General Government			\$ 250,000

Interest

General Government

Interest on Notes	\$	38,800	
Total General Government			38,800

Other Debt Service

General Government

Fiscal Agent Charges	\$	482	
Trustee's Commission		4,481	
Total General Government			4,963

Total General Debt Service Fund 293,763

(Continued)

Exhibit H-6

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

Special Debt Service Fund

Principal

Highways and Streets

Principal on Notes	\$ 295,000	
Total Highways and Streets		\$ 295,000

Interest

Highways and Streets

Interest on Notes	\$ 60,048	
Total Highways and Streets		60,048

Other Debt Service

Highways and Streets

Fiscal Agent Charges	\$ 318	
Trustee's Commission	3,305	
Total Highways and Streets		<u>3,623</u>

Total Special Debt Service Fund		\$ 358,671
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Education Debt Service Fund

Principal

Education

Principal on Bonds	\$ 600,000	
Principal on Notes	<u>178,542</u>	
Total Education		\$ 778,542

Interest

Education

Interest on Bonds	\$ 584,319	
Interest on Notes	14,715	
Interest on Other Loans Payable	<u>131,355</u>	
Total Education		730,389

Other Debt Service

Education

Fiscal Agent Charges	\$ 482	
Trustee's Commission	38,517	
Other Debt Issuance Charges	68,892	
Other Debt Service	<u>5,000</u>	
Total Education		<u>112,891</u>

Total Education Debt Service Fund		1,621,822
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(Continued)

Exhibit H-6

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

General Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Contributions	\$ 10,153,029	
Underwriter's Discount	7,026	
Other Debt Service	9,600	
Total Regular Capital Outlay		\$ 10,169,655

Capital Projects

General Administration Projects

Architects	\$ 600	
Total General Administration Projects		600

Total General Capital Projects Fund \$ 10,170,255

Community Development/Industrial Park Fund

Capital Projects

Public Utility Projects

Contracts with Government Agencies	\$ 7,500	
Other Construction	307,554	
Total Public Utility Projects		\$ 315,054

Other General Government Projects

Engineering Services	\$ 33,095	
Other Contracted Services	574,598	
Other Equipment	334,941	
Total Other General Government Projects		942,634

Total Community Development/Industrial Park Fund 1,257,688

Highway Capital Projects Fund

Capital Projects

Highway & Street Capital Projects

Other Contracted Services	\$ 995,845	
Crushed Stone	4,988	
Total Highway & Street Capital Projects		\$ 1,000,833

Total Highway Capital Projects Fund 1,000,833

Other Capital Projects Fund

Capital Projects

Other General Government Projects

Engineering Services	\$ 10,500	
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(Continued)

Exhibit H-6

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

<u>Other Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Other General Government Projects (Cont.)</u>		
Other Contracted Services	\$ 24,053	
Other Construction	<u>238,098</u>	
Total Other General Government Projects		<u>\$ 272,651</u>
Total Other Capital Projects Fund		<u>\$ 272,651</u>
Total Governmental Funds - Primary Government		<u>\$ 29,481,343</u>

Exhibit H-7

Hawkins County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	City School ADA - Rogersville Fund	City School ADA - Kingsport Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 508,747	\$ 389,498	\$ 898,245
Trustee's Collections - Prior Years	0	29,437	22,537	51,974
Circuit/Clerk and Master Collections - Prior Year	0	8,994	6,835	15,829
Interest and Penalty	0	4,620	3,537	8,157
Pick-up Taxes	0	936	716	1,652
Payments in Lieu of Taxes - Other	0	534	409	943
Local Option Sales Tax	2,667,901	279,688	214,131	3,161,720
Wheel Tax	0	15,392	11,752	27,144
Bank Excise Tax	0	3,592	2,750	6,342
Interstate Telecommunications Tax	0	621	476	1,097
Marriage Licenses	0	338	258	596
Other Local Revenues	0	39	30	69
Contributions	0	705,286	547,287	1,252,573
Total Cash Receipts	\$ 2,667,901	\$ 1,558,224	\$ 1,200,216	\$ 5,426,341
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 2,636,448	\$ 1,558,084	\$ 1,218,618	\$ 5,413,150
Trustee's Commissions	31,453	14,095	10,793	56,341
Total Cash Disbursements	\$ 2,667,901	\$ 1,572,179	\$ 1,229,411	\$ 5,469,491
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (13,955)	\$ (29,195)	\$ (43,150)
Cash Balance, July 1, 2004	0	39,545	31,015	70,560
Cash Balance, June 30, 2005	\$ 0	\$ 25,590	\$ 1,820	\$ 27,410

STATISTICAL SECTION

Table 1

Hawkins County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

<u>Year</u>	<u>Amount</u>
1994	\$ 9,722
1995	16,678
1996	19,489
1997	37,415
1998	24,385
1999	27,896
2000	60,201
2001	96,252
2002	156,419
2003	<u>314,441</u>
Total	<u>\$ 762,898</u>

Table 2

Hawkins County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.99	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.85	\$ 0.68	\$ 0.75	\$ 0.76	0.78
Highway/Public Works	0.25	0.22	0.22	0.22	0.22	0.22	0.18	0.18	0.18	0.18
General Purpose School	1.55	1.33	1.33	1.33	1.33	1.33	1.07	1.07	1.07	1.14
General Debt Service	0.05	0.06	0.06	0.06	0.06	0.06	0.00	0.00	0.00	0.02
School Transportation	0.18	0.16	0.16	0.21	0.21	0.21	0.17	0.17	0.17	0.18
Education Debt Service	0.38	0.34	0.34	0.32	0.32	0.32	0.30	0.23	0.23	0.23
Special Debt Service	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00
Total Tax Rate	\$ 3.40	\$ 2.97	\$ 2.97	\$ 3.00	\$ 3.00	\$ 3.00	\$ 2.41	\$ 2.41	\$ 2.41	2.53
<u>Assessed Valuations</u>										
Real and Personal	\$ 326,888,494	\$ 391,711,445	\$ 413,354,441	\$ 430,697,534	\$ 452,036,823	\$ 464,931,432	\$ 598,422,494	\$ 612,595,393	\$ 609,122,914	\$ 619,284,331
Public Utilities	51,548,561	54,570,922	51,912,322	49,754,627	53,132,242	48,714,605	62,179,442	65,777,911	61,562,637	63,986,709
Total Assessed Valuation	\$ 378,437,055	\$ 446,282,367	\$ 465,266,763	\$ 480,452,161	\$ 505,169,065	\$ 513,646,037	\$ 660,601,936	\$ 678,373,304	\$ 670,685,551	\$ 683,271,040

ANNUAL FINANCIAL REPORT
HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

J. DAVID FRAKES, CGFM
DOUG SANDIDGE, CISA
State Auditors

This financial report is available at www.comptroller.state.tn.us

**HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Hawkins County School Department
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of the Hawkins County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Hawkins County School Department's financial statements was unqualified.

Our audit resulted in one finding and recommendation, which we have reviewed with Hawkins County School Department's management. The detailed finding and recommendation is included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

HAWKINS COUNTY SCHOOL DEPARTMENT

OTHER FINDING

- ◆ County officials had not adopted a central system of accounting and budgeting.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Hawkins County School Officials
June 30, 2005

Official:

Edmund Clayton Armstrong, Director of Schools

Board of Education:

Robert Stidham, Chairperson
Ella Jo Bradley, Vice-Chairperson
Tammy D. Baird
Randall Collier

Perry Dykes
Glenda P. Davis
Charles A. Fuller

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 26, 2005

Hawkins County Director of Schools and
Board of Education
Hawkins County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department, a component unit of Hawkins County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the Hawkins County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hawkins County School Department'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2005, on our consideration of the Hawkins County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

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

As described in Note V.B., the Hawkins County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include government-wide financial statements.

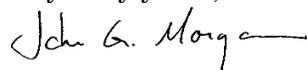
As described in Note V.B., the Hawkins County School Department has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the department’s disclosures for custodial credit risk and adds disclosures about other types of risk.

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

The budgetary comparison information on pages 37 through 41 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hawkins County School Department’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Hawkins County, Tennessee
Statement of Net Assets
Hawkins County School Department
June 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 2,662
Equity in Pooled Cash and Investments	12,132,897
Accounts Receivable	21,915
Due from Other Governments	1,487,661
Due from Primary Government	10,478
Property Taxes Receivable	8,492,439
Allowance for Uncollectible Property Taxes	(361,740)
Capital Assets	
Assets Not Depreciated:	
Land	1,339,449
Construction in Progress	10,945,096
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	20,450,521
Other Capital Assets	1,586,613
Total Assets	<u>\$ 56,107,991</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 7,597
Accrued Payroll	10,178
Contracts Payable	675,386
Retainage Payable	61,189
Other Current Liabilities	859,821
Deferred Revenue - Current Year Property Taxes	7,718,830
Noncurrent Liabilities:	
Due Within One Year	609,181
Due in More than One Year	1,697,781
Total Liabilities	<u>\$ 11,639,963</u>

(Continued)

Exhibit A

Hawkins County, Tennessee
Statement of Net Assets
Hawkins County School Department (Cont.)

	<u>Governmental Activities</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 33,639,640
Restricted for Other Purposes	3,968,131
Unrestricted	<u>6,860,257</u>
Total Net Assets	<u>\$ 44,468,028</u>

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

Exhibit B

Hawkins County, Tennessee
Statement of Activities
Hawkins County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
					Total Governmental Activities
Governmental Activities:					
Instruction	\$ 32,649,561	\$ 0	\$ 4,105,872	\$ 8,198,885	\$ (20,344,804)
Support Services	14,190,456	341,116	113,925	703,130	(13,032,285)
Operation of Non-Instructional Services	3,121,835	1,268,504	2,081,069	0	227,738
Debt Service:					
Interest	39,819	0	0	0	(39,819)
Other Debt Service	188,065	0	0	0	(188,065)
Total Governmental Activities	<u>\$ 50,189,736</u>	<u>\$ 1,609,620</u>	<u>\$ 6,300,866</u>	<u>\$ 8,902,015</u>	<u>\$ (33,377,235)</u>
General Revenues:					
Property Taxes				\$ 8,095,300	
Sales Taxes				3,423,340	
Other Taxes				316,817	
Grants and Contributions not restricted to specific programs				29,546,127	
Miscellaneous				49,589	
Total General Revenues				<u>\$ 41,431,173</u>	
Change in Net Assets				\$ 8,053,938	
Net Assets - July 1, 2004				<u>36,414,090</u>	
Net Assets - June 30, 2005				<u>\$ 44,468,028</u>	

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

Exhibit C-1

Hawkins County, Tennessee
 Balance Sheet - Governmental Funds
 Hawkins County School Department
 June 30, 2005

	Major Funds			Nonmajor	Total
	General Purpose School	School Transportation	Education Capital Projects	Other Governmental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 2,662	\$ 2,662
Equity in Pooled Cash and Investments	8,942,105	1,184,835	0	2,005,957	12,132,897
Accounts Receivable	13,559	6,920	0	1,436	21,915
Due from Other Governments	1,057,522	60,703	0	369,436	1,487,661
Due from Other Funds	15,040	0	0	1,288	16,328
Due from Primary Government	0	10,478	0	0	10,478
Property Taxes Receivable	7,194,386	1,298,053	0	0	8,492,439
Allowance for Uncollectible Property Taxes	(306,449)	(55,291)	0	0	(361,740)
Total Assets	\$ 16,916,163	\$ 2,505,698	\$ 0	\$ 2,380,779	\$ 21,802,640
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 3,452	\$ 445	\$ 0	\$ 3,700	\$ 7,597
Accrued Payroll	9,979	199	0	0	10,178
Contracts Payable	13,981	0	661,405	0	675,386
Retainage Payable	23,943	0	37,246	0	61,189
Due to Other Funds	1,288	62	0	14,978	16,328
Retirement Incentives - Current	150,546	0	0	0	150,546
Other Current Liabilities	859,821	0	0	0	859,821
Deferred Revenue - Current Property Taxes	6,539,022	1,179,808	0	0	7,718,830
Deferred Revenue - Delinquent Property Taxes	327,540	59,098	0	0	386,638
Other Deferred Revenues	613,624	0	0	0	613,624
Total Liabilities	\$ 8,543,196	\$ 1,239,612	\$ 698,651	\$ 18,678	\$ 10,500,137
Fund Balances					
Reserved for Encumbrances	\$ 414,273	\$ 702,274	\$ 1,667,148	\$ 90,605	\$ 2,874,300
Reserved for Vocational Projects	0	0	0	4,346	4,346
Reserved for Career Ladder - Extended Contract	3,831	0	0	0	3,831
Reserved for Career Ladder Program	17,272	0	0	0	17,272
Reserved for Title I Grants to Local Education Agencies	0	0	0	175,910	175,910
Reserved for Innovative Education Program Strategies	0	0	0	25,742	25,742
Reserved for Special Education - Grants to States	0	0	0	380,126	380,126
Other Federal Reserves	0	0	0	139,527	139,527
Unreserved, Reported In:					
General Fund	7,937,591	0	0	0	7,937,591
Special Revenue Funds	0	563,812	0	1,545,845	2,109,657
Capital Projects Funds (Deficit)	0	0	(2,365,799)	0	(2,365,799)
Total Fund Balances	\$ 8,372,967	\$ 1,266,086	\$ (698,651)	\$ 2,362,101	\$ 11,302,503
Total Liabilities and Fund Balances	\$ 16,916,163	\$ 2,505,698	\$ 0	\$ 2,380,779	\$ 21,802,640

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

Exhibit C-2

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Hawkins County School Department
June 30, 2005

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)		\$	11,302,503
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			34,321,679
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Capitalized Leases	\$	682,039	
Compensated Absences		1,134,373	
Retirement Incentives		<u>340,004</u>	
			(2,156,416)
(3) Certain earned amounts are not available to pay for current period expenditures and therefore are deferred in the funds.			<u>1,000,262</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>44,468,028</u></u>

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

Exhibit C-3

Hawkins County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Hawkins County School Department
For the Year Ended June 30, 2005

	Major Funds			Nonmajor	Total
	General Purpose School	School Transportation	Education Capital Projects	Other Governmental Funds	
Revenues					
Local Taxes	\$ 10,480,213	\$ 1,362,671	\$ 0	\$ 0	\$ 11,842,884
Licenses and Permits	4,207	0	0	0	4,207
Charges for Current Services	13,776	78,805	0	1,335,613	1,428,194
Other Local Revenues	58,120	182,065	0	22,114	262,299
State of Tennessee	28,199,501	567,811	0	39,431	28,806,743
Federal Government	443,217	0	0	5,868,212	6,311,429
Other Governments and Citizens Groups	0	703,130	8,198,885	0	8,902,015
Total Revenues	\$ 39,199,034	\$ 2,894,482	\$ 8,198,885	\$ 7,265,370	\$ 57,557,771
Expenditures					
Current:					
Instruction	\$ 27,041,761	\$ 0	\$ 0	\$ 3,044,471	\$ 30,086,232
Support Services	11,121,161	2,394,931	0	823,585	14,339,677
Operation of Non-Instructional Services	66,126	0	0	2,738,563	2,804,689
Capital Outlay	893,809	0	0	0	893,809
Debt Service:					
Principal	132,202	0	0	37,242	169,444
Interest	38,257	0	0	1,562	39,819
Other Debt Service	0	188,065	0	0	188,065
Capital Projects	0	0	8,065,093	0	8,065,093
Total Expenditures	\$ 39,293,316	\$ 2,582,996	\$ 8,065,093	\$ 6,645,423	\$ 56,586,828
Excess (Deficiency) of Revenues Over Expenditures	\$ (94,282)	\$ 311,486	\$ 133,792	\$ 619,947	\$ 970,943
Other Financing Sources (Uses)					
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 38,400	\$ 38,400
Transfers In	5,261	0	0	0	5,261
Transfers Out	0	0	0	(5,261)	(5,261)
Total Other Financing Sources (Uses)	\$ 5,261	\$ 0	\$ 0	\$ 33,139	\$ 38,400
Net Change in Fund Balances	\$ (89,021)	\$ 311,486	\$ 133,792	\$ 653,086	\$ 1,009,343
Fund Balance, July 1, 2004	8,461,988	954,600	(832,443)	1,709,015	10,293,160
Fund Balance, June 30, 2005	\$ 8,372,967	\$ 1,266,086	\$ (698,651)	\$ 2,362,101	\$ 11,302,503

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

Hawkins County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Hawkins County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,009,343
(1) Governmental funds report capital outlay 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 amount that capital outlays differ from depreciation is itemized as follows:		
Add: Capital outlays in the current period	\$ 7,979,602	
Less: Current year depreciation	<u>(1,356,462)</u>	6,623,140
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$ (626,194)	
For the year ended June 30, 2005	<u>1,000,262</u>	374,068
(3) The issuance of long-term debt (e.g., notes, other loans) 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.		
Less: Capital lease proceeds	\$ (38,400)	
Add: Principal payment on capitalized leases	<u>169,444</u>	131,044
(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 compensated absences	\$ (203,323)	
Change in retirement incentives	<u>119,666</u>	<u>(83,657)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 8,053,938</u>

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

**HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hawkins County School Department'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 the School Department:

A. Reporting Entity

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

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 School Department. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

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.

Hawkins County issues debt for the School Department. Net debt issues (\$8,902,015) were contributed by Hawkins County to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary or fiduciary funds to report. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

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 School Department 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. The School Department considers grant 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.

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 School Department receives cash.

The 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 Transportation Fund – This fund is used to account for transportation operations of the School Department.

Education Capital Projects Fund – This fund accounts for the receipt of debt issued by Hawkins County and contributed to the School Department for building construction, renovations, and equipment purchases.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds of the primary government and the 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 primary government's debt service funds. Hawkins 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 are referred to as due to/from other funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.27 percent of total taxes levied.

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

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

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

for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the Education Capital Projects Fund represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. Funding to liquidate this amount when due will be provided through contributions from Hawkins County, the primary government. The Other Current Liabilities reflected in the General Purpose School Fund represents the remaining balance in the teacher's insurance clearing account.

3. Capital Assets

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

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding five 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, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Building Improvements	7-30
Vehicles and Other Capital Assets	5-12

4. **Compensated Absences**

It is the School Department's policy to permit employees to accumulate earned but unused vacations and sick pay benefits. The Hawkins County Board of Education has adopted policies allowing all 12-month employees who declare their intention to retire within the calendar year to be paid their unused vacation benefits as they accrue and to allow 12-month employees to accumulate a limited amount (five days) of earned but unused vacation benefits. The Hawkins County Board of Education also allows all employees to be paid for any unused sick pay benefits upon separation from service with the department at a rate of \$20 to \$27 per unused day base on total days accumulated. A liability for these amounts is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

5. **Long-term Obligation**

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including capitalized leases payables, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and special termination benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. **Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any 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.

As of June 30, 2005, Hawkins County, the primary government, had \$28,507,826 in outstanding debt for capital purposes of the discretely presented School Department. The debt is a liability of Hawkins County; but capital assets acquired are reported in the financial statements of the School Department. Therefore, the School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile fund balances - total governmental funds and net assets - governmental activities as reported in 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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Fund Deficit

The Education Capital Projects Fund had an unreserved fund deficit of \$2,365,799 at June 30, 2005. This deficit resulted from the unperformed portions of construction projects being reserved as encumbrances and from the recognition of payables on those contracts. Funding for these payables and future expenditures is expected to be provided through contributions of loan proceeds from Hawkins County, the primary government, and from unreserved balances of the General Purpose School Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hawkins County and the School Department participate in an internal cash and investment pool through the primary government's Office of Trustee. The county trustee is the treasurer of Hawkins County and in this capacity is responsible for receiving, disbursing, depositing, 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 balance sheets or statement on net asset represents nonpooled demand amounts held separately by the 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

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

Investments

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

The School Department had no pooled and nonpooled investments as of June 30, 2005.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 1,339,449	\$ 0	\$ 0	\$ 1,339,449
Construction in Progress	5,203,622	7,156,543	(1,415,069)	10,945,096
Total Capital Assets Not Depreciated	<u>\$ 6,543,071</u>	<u>\$ 7,156,543</u>	<u>\$ (1,415,069)</u>	<u>\$ 12,284,545</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 36,807,473	\$ 1,778,693	\$ 0	\$ 38,586,166
Other Capital Assets	3,761,345	459,435	0	4,220,780
Total Capital Assets Depreciated	<u>\$ 40,568,818</u>	<u>\$ 2,238,128</u>	<u>\$ 0</u>	<u>\$ 42,806,946</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 17,057,312	\$ 1,078,333	\$ 0	\$ 18,135,645
Other Capital Assets	2,356,038	278,129	0	2,634,167
Total Accumulated Depreciation	<u>\$ 19,413,350</u>	<u>\$ 1,356,462</u>	<u>\$ 0</u>	<u>\$ 20,769,812</u>
Total Capital Assets Depreciated, Net	<u>\$ 21,155,468</u>	<u>\$ 881,666</u>	<u>\$ 0</u>	<u>\$ 22,037,134</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,698,539</u>	<u>\$ 8,038,209</u>	<u>\$ (1,415,069)</u>	<u>\$ 34,321,679</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 1,061,712
Support Services	271,690
Operation of Non-Instructional Services	<u>23,060</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,356,462</u>

C. Construction Commitments

As of June 30, 2005, the General Purpose School Fund and the Education Capital Projects Fund had uncompleted construction contracts of \$54,789 and \$1,667,148, respectively. These contracts related to various School Department renovations and construction projects. Funding for the future expenditures in the General Purpose School Fund has been provided. Funding for the future expenditures in the Education Capital Projects Fund is expected to be provided through contributions from Hawkins County, the primary government and from unreserved balances of the General Purpose School Fund.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 14,978
General Purpose School	School Transportation	62
Nonmajor governmental	General Purpose School	<u>1,288</u>
Total		<u>\$ 16,328</u>

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.

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Component unit:		
Hawkins County School		
Department:	Primary government:	
School Transportation	General	\$ 7,538
School Transportation	Nomajor governmental	<u>2,940</u>
Total		<u>\$ 10,478</u>

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental funds	<u>\$ 5,261</u>
Total	<u>\$ 5,261</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.

E. Capital Leases

On July 15, 2004, the School Department entered into a two-year lease-purchase agreement for a special education school bus. The terms of the agreement require total lease payments of \$38,400 plus interest of 4.32 percent. The School Department had previously entered into other capitalized lease agreements to finance the acquisition of vehicles and equipment. The agreements provide for original terms of up to ten years at interest rates ranging from 4.12 to 5.25 percent. The gross amount of assets acquired through capitalized lease agreement outstanding at June 30, 2005, totaled \$1,409,634. The title to the buses and equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund and the School Federal Projects Fund.

Future minimum lease payments and the net present value of these lease payments as of June 30, 2005, were as follows:

2006	\$ 195,712
2007	183,804
2008	170,460
2009	170,460
2010	<u>42,614</u>
Total Minimum Lease Payments	\$ 763,050
Amounts Representing Interest	<u>(81,011)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 682,039</u></u>

F. Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:	<u>Capital Leases</u>	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 813,083	\$ 931,050
Additions	38,400	463,074
Deductions	<u>(169,444)</u>	<u>(259,751)</u>
 Balance, June 30, 2005	 <u><u>\$ 682,039</u></u>	 <u><u>\$ 1,134,373</u></u>
 Balance Due Within One Year	 <u><u>\$ 162,979</u></u>	 <u><u>\$ 284,139</u></u>
	<u>Retirement Incentives</u>	
Balance, July 1, 2004	\$ 459,670	
Additions	197,227	
Deductions	<u>(166,347)</u>	
 Balance, June 30, 2005	 <u><u>\$ 490,550</u></u>	
 Balance Due Within One Year	 <u><u>\$ 162,063</u></u>	

Compensated absences will be retired from the employing funds.

In addition to the long-term liabilities shown above, Hawkins County, the primary government, has issued capital outlay notes to provide funds for the School Department to purchase school buses. The School Department provides funds to retire these notes. The capital outlay notes are direct obligations of, and pledge the full faith and credit of, the primary government. Therefore, the notes are reported as long-term debt of the primary government. The repayment of the debt by the School Department is reflected as a contribution expenditure in the School Transportation Fund. For the year ended June 30, 2005, the School Transportation Fund paid \$188,065 on the notes, which consisted of principal (\$173,350) and interest (\$14,715).

As of June 30, 2005, the balance remaining on notes that the School Department plans to retire was \$1,153,775. These notes carry interest rates ranging from 2 percent to 3.5 percent and the annual requirements to amortize these notes outstanding are presented in the following table:

Year Ending June 30	Notes		Total
	Principal	Interest	
2006	\$ 198,775	\$ 34,244	\$ 233,019
2007	150,000	31,400	181,400
2008	150,000	27,500	177,500
2009	155,000	22,925	177,925
2010	160,000	17,500	177,500
2011-2012	340,000	18,025	358,025
Total	<u>\$ 1,153,775</u>	<u>\$ 151,594</u>	<u>\$ 1,305,369</u>

Retirement Incentive Payments

The School Department, with the approval of the Hawkins County Board of Education, has entered into retirement incentive payment contracts with several employees. Employees with 30 years of service who have completed at least ten years of service with the School Department are offered the incentive. Under the contract, employees who accept the incentive are to be paid an amount equal to ten percent of their final year's salary each year until they reach the age of 62, or for a maximum of seven years, whichever is less. Thirty-seven employees participated in the program during the 2004-05 year. The financial statements of this report reflect expenditures of \$154,526 in the General Purpose School Fund for the retirement incentive payments. Of the \$162,063 shown as retirement incentives due within one year, \$150,546 is reflected as a current liability of the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

The School Department is exposed to various risks related to general liability, property, casualty, workers' compensation, and employee health and accident. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The Hawkins County School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

B. **Accounting Changes**

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that relate to the fund financial statements.

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. **Subsequent Event**

Subsequent to June 30, 2005, Hawkins County, the primary government, drew loan proceeds of \$1,469,768 and contributed those proceeds to the School Department.

D. **Contingent Liabilities**

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates that the potential claims against the School Department not covered by insurance resulting

from litigation would not materially affect the financial statements of the School Department.

E. Jointly Governed Organizations

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

The Upper East Tennessee Educational Cooperative entered into an agreement to establish and operate the Northeast Tennessee Cooperative. The Northeast Tennessee Cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to operate this service. All members of the Upper East Tennessee Cooperative are members of the Northeast Tennessee Cooperative except Elizabethton City, Hancock County, Kingsport City, Unicoi County and Washington County systems. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

F. Retirement Commitments

Plan Description

Employees of Hawkins County, including the School Department, 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 Hawkins County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Since the Hawkins County School Department participates in Hawkins County's plan, retirement information for the Hawkins County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of Hawkins County, Tennessee.

SCHOOL TEACHERS

Plan Description

The Hawkins County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employers defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service.

Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hawkins County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hawkins County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$1,308,208, \$763,976, and \$700,724, respectively, equal to the required contributions for each year.

G. Other Post employment Benefits

In addition to the retirement commitments described in Note V.F., the School Department also provides post-retirement health care benefits, in accordance with contract provisions, to employees who retire on or after age 60, or with a minimum of 30 years of service. Currently, 54 retirees meet these eligibility requirements. The benefits are provided until the retiree reaches the age of 65. The School Department reimburses 76 percent of the health insurance premiums. In, addition, the School Department pays 100 percent of the premiums for life insurance. During the year, expenditures were recognized for post-employment health care (\$144,747) and life insurance benefits (\$19,541).

H. Purchasing Law

Purchasing procedures for the School Department are governed by provisions of Chapter 256, Private Acts of 1957, as amended. This act provides for the county mayor to make all purchases and for purchases exceeding \$2,500 to be made after public advertisement and solicitation of competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 10,480,213	\$ 0	\$ 0	\$ 10,480,213	\$ 10,245,261	\$ 10,245,261	\$ 234,952
Licenses and Permits	4,207	0	0	4,207	5,000	5,000	(793)
Charges for Current Services	13,776	0	0	13,776	7,000	7,000	6,776
Other Local Revenues	58,120	0	0	58,120	59,526	83,686	(25,566)
State of Tennessee	28,199,501	0	0	28,199,501	27,793,698	27,855,975	343,526
Federal Government	443,217	0	0	443,217	648,481	849,704	(406,487)
Total Revenues	\$ 39,199,034	\$ 0	\$ 0	\$ 39,199,034	\$ 38,758,966	\$ 39,046,626	\$ 152,408
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 22,198,844	\$ (103,597)	\$ 76,047	\$ 22,171,294	\$ 22,186,421	\$ 22,725,225	\$ 553,931
Alternative Instruction Program	45,979	0	0	45,979	57,161	45,984	5
Special Education Program	3,421,501	0	0	3,421,501	3,514,667	3,514,667	93,166
Vocational Education Program	1,118,821	(1,744)	662	1,117,739	1,109,318	1,149,917	32,178
Adult Education Program	256,616	0	859	257,475	269,937	279,152	21,677
<u>Support Services</u>							
Attendance	153,381	0	240	153,621	172,744	157,807	4,186
Health Services	305,362	0	1,017	306,379	277,341	315,991	9,612
Other Student Support	880,862	0	0	880,862	912,436	901,060	20,198
Regular Instruction Program	1,669,891	(2,481)	2,221	1,669,631	1,752,815	1,723,934	54,303
Special Education Program	478,472	0	110	478,582	534,540	534,540	55,958
Vocational Education Program	51,045	0	0	51,045	51,829	51,829	784
Adult Programs	148,666	0	0	148,666	155,990	152,425	3,759
Board of Education	1,040,065	0	20,000	1,060,065	1,027,333	1,063,561	3,496
Director of Schools	394,308	0	223	394,531	401,472	409,952	15,421
Office of the Principal	2,229,084	0	0	2,229,084	2,327,209	2,269,624	40,540

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 151,062	\$ 0	\$ 0	\$ 151,062	\$ 165,438	\$ 154,965	\$ 3,903
Operation of Plant	2,903,848	(6,097)	3,521	2,901,272	2,681,062	3,022,528	121,256
Maintenance of Plant	715,115	0	5,769	720,884	718,054	742,459	21,575
<u>Operation of Non-Instructional Services</u>							
Food Service	66,126	0	0	66,126	66,323	66,323	197
<u>Capital Outlay</u>							
Regular Capital Outlay	893,809	(173,660)	303,604	1,023,753	1,797,823	1,797,823	774,070
<u>Principal</u>							
Education	132,202	0	0	132,202	132,203	132,203	1
<u>Interest</u>							
Education	38,257	0	0	38,257	38,258	38,258	1
Total Expenditures	\$ 39,293,316	\$ (287,579)	\$ 414,273	\$ 39,420,010	\$ 40,350,374	\$ 41,250,227	\$ 1,830,217
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (94,282)	\$ 287,579	\$ (414,273)	\$ (220,976)	\$ (1,591,408)	\$ (2,203,601)	\$ 1,982,625
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 5,261	\$ 0	\$ 0	\$ 5,261	\$ 2,000	\$ 2,000	\$ 3,261
Total Other Financing Sources (Uses)	\$ 5,261	\$ 0	\$ 0	\$ 5,261	\$ 2,000	\$ 2,000	\$ 3,261
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ (89,021)	\$ 287,579	\$ (414,273)	\$ (215,715)	\$ (1,589,408)	\$ (2,201,601)	\$ 1,985,886
	8,461,988	(287,579)	0	8,174,409	8,294,411	8,294,411	(120,002)
Fund Balance, June 30, 2005							
	\$ 8,372,967	\$ 0	\$ (414,273)	\$ 7,958,694	\$ 6,705,003	\$ 6,092,810	\$ 1,865,884

Exhibit D-2

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
School Transportation Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,362,671	\$ 0	\$ 0	\$ 1,362,671	\$ 1,353,611	\$ 1,353,611	\$ 9,060
Charges for Current Services	78,805	0	0	78,805	53,201	53,201	25,604
Other Local Revenues	182,065	0	0	182,065	110,000	110,000	72,065
State of Tennessee	567,811	0	0	567,811	567,811	567,811	0
Other Governments and Citizens Groups	703,130	0	0	703,130	610,300	701,570	1,560
Total Revenues	<u>\$ 2,894,482</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,894,482</u>	<u>\$ 2,694,923</u>	<u>\$ 2,786,193</u>	<u>\$ 108,289</u>
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 28,474	\$ 0	\$ 0	\$ 28,474	\$ 26,000	\$ 28,500	\$ 26
Transportation	2,366,457	(356,132)	702,274	2,712,599	2,469,806	2,739,276	26,677
<u>Other Debt Service</u>							
Education	188,065	0	0	188,065	199,117	199,117	11,052
Total Expenditures	<u>\$ 2,582,996</u>	<u>\$ (356,132)</u>	<u>\$ 702,274</u>	<u>\$ 2,929,138</u>	<u>\$ 2,694,923</u>	<u>\$ 2,966,893</u>	<u>\$ 37,755</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 311,486</u>	<u>\$ 356,132</u>	<u>\$ (702,274)</u>	<u>\$ (34,656)</u>	<u>\$ 0</u>	<u>\$ (180,700)</u>	<u>\$ 146,044</u>
Net Change in Fund Balance Fund Balance, July 1, 2004	<u>\$ 311,486</u>	<u>\$ 356,132</u>	<u>\$ (702,274)</u>	<u>\$ (34,656)</u>	<u>\$ 0</u>	<u>\$ (180,700)</u>	<u>\$ 146,044</u>
Fund Balance, July 1, 2004	954,600	(356,132)	0	598,468	580,009	595,224	3,244
Fund Balance, June 30, 2005	<u>\$ 1,266,086</u>	<u>\$ 0</u>	<u>\$ (702,274)</u>	<u>\$ 563,812</u>	<u>\$ 580,009</u>	<u>\$ 414,524</u>	<u>\$ 149,288</u>

**HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

BUDGETARY INFORMATION

The School Department is required by state statute to adopt annual budgets. Annual budgets have been adopted for all governmental funds except for the capital projects funds which adopt project 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 Hawkins County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Hawkins County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of the budgetary statements.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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 E-1

Hawkins County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Hawkins County School Department
June 30, 2005

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,662	\$ 2,662
Equity in Pooled Cash and Investments	623,720	1,382,237	2,005,957
Accounts Receivable	1,152	284	1,436
Due from Other Governments	208,774	160,662	369,436
Due from Other Funds	1,288	0	1,288
Total Assets	<u>\$ 834,934</u>	<u>\$ 1,545,845</u>	<u>\$ 2,380,779</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 3,700	\$ 0	\$ 3,700
Due to Other Funds	14,978	0	14,978
Total Liabilities	<u>\$ 18,678</u>	<u>\$ 0</u>	<u>\$ 18,678</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 90,605	\$ 0	\$ 90,605
Reserved for Vocational Projects	4,346	0	4,346
Reserved for Title I Grants to Local Education Agencies	175,910	0	175,910
Reserved for Innovative Education Program Strategies	25,742	0	25,742
Reserved for Special Education - Grants to States	380,126	0	380,126
Other Federal Reserves	139,527	0	139,527
Unreserved	0	1,545,845	1,545,845
Total Fund Balances	<u>\$ 816,256</u>	<u>\$ 1,545,845</u>	<u>\$ 2,362,101</u>
Total Liabilities and Fund Balances	<u>\$ 834,934</u>	<u>\$ 1,545,845</u>	<u>\$ 2,380,779</u>

Exhibit E-2

Hawkins County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Hawkins County School Department
For the Year Ended June 30, 2005

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,335,613	\$ 1,335,613
Other Local Revenues	0	22,114	22,114
State of Tennessee	0	39,431	39,431
Federal Government	4,160,335	1,707,877	5,868,212
Total Revenues	<u>\$ 4,160,335</u>	<u>\$ 3,105,035</u>	<u>\$ 7,265,370</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,044,471	\$ 0	\$ 3,044,471
Support Services	823,585	0	823,585
Operation of Non-Instructional Services	0	2,738,563	2,738,563
Debt Service:			
Principal	37,242	0	37,242
Interest	1,562	0	1,562
Total Expenditures	<u>\$ 3,906,860</u>	<u>\$ 2,738,563</u>	<u>\$ 6,645,423</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 253,475</u>	<u>\$ 366,472</u>	<u>\$ 619,947</u>
<u>Other Financing Sources (Uses)</u>			
Capital Leases Issued	\$ 38,400	\$ 0	\$ 38,400
Transfers Out	(5,261)	0	(5,261)
Total Other Financing Sources (Uses)	<u>\$ 33,139</u>	<u>\$ 0</u>	<u>\$ 33,139</u>
Net Change in Fund Balances	\$ 286,614	\$ 366,472	\$ 653,086
Fund Balance, July 1, 2004	529,642	1,179,373	1,709,015
Fund Balance, June 30, 2005	<u>\$ 816,256</u>	<u>\$ 1,545,845</u>	<u>\$ 2,362,101</u>

Exhibit E-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 4,160,335	\$ 0	\$ 0	\$ 4,160,335	\$ 4,202,108	\$ 4,433,839	\$ (273,504)
Total Revenues	\$ 4,160,335	\$ 0	\$ 0	\$ 4,160,335	\$ 4,202,108	\$ 4,433,839	\$ (273,504)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,479,946	\$ (499)	\$ 1,197	\$ 1,480,644	\$ 1,758,593	\$ 1,817,015	\$ 336,371
Alternative Instruction Program	68,864	0	0	68,864	130,553	75,189	6,325
Special Education Program	1,329,418	0	0	1,329,418	1,358,744	1,644,147	314,729
Vocational Education Program	166,243	0	9,059	175,302	172,615	176,015	713
<u>Support Services</u>							
Health Services	109,658	0	0	109,658	115,207	141,982	32,324
Other Student Support	53,948	0	0	53,948	61,898	63,276	9,328
Regular Instruction Program	380,526	0	80,349	460,875	312,698	618,390	157,515
Special Education Program	269,177	0	0	269,177	274,800	446,587	177,410
Vocational Education Program	10,276	0	0	10,276	15,000	11,600	1,324
<u>Principal</u>							
Education	37,242	0	0	37,242	0	37,242	0
<u>Interest</u>							
Education	1,562	0	0	1,562	0	1,563	1
Total Expenditures	\$ 3,906,860	\$ (499)	\$ 90,605	\$ 3,996,966	\$ 4,200,108	\$ 5,033,006	\$ 1,036,040
Excess (Deficiency) of Revenues Over Expenditures	\$ 253,475	\$ 499	\$ (90,605)	\$ 163,369	\$ 2,000	\$ (599,167)	\$ 762,536
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 38,400	\$ 0	\$ 0	\$ 38,400	\$ 0	\$ 38,400	\$ 0

(Continued)

Exhibit E-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ (5,261)	\$ 0	\$ 0	\$ (5,261)	\$ (2,000)	\$ (3,100)	\$ (2,161)
Total Other Financing Sources (Uses)	\$ 33,139	\$ 0	\$ 0	\$ 33,139	\$ (2,000)	\$ 35,300	\$ (2,161)
Net Change in Fund Balance	\$ 286,614	\$ 499	\$ (90,605)	\$ 196,508	\$ 0	\$ (563,867)	\$ 760,375
Fund Balance, July 1, 2004	529,642	(499)	0	529,143	0	563,867	(34,724)
Fund Balance, June 30, 2005	\$ 816,256	\$ 0	\$ (90,605)	\$ 725,651	\$ 0	\$ 0	\$ 725,651

Exhibit E-4

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hawkins County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,335,613	\$ 1,266,542	\$ 1,309,542	\$ 26,071
Other Local Revenues	22,114	6,000	6,000	16,114
State of Tennessee	39,431	40,000	40,000	(569)
Federal Government	1,707,877	1,409,491	1,415,491	292,386
Total Revenues	<u>\$ 3,105,035</u>	<u>\$ 2,722,033</u>	<u>\$ 2,771,033</u>	<u>\$ 334,002</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,738,563	\$ 2,684,033	\$ 2,912,192	\$ 173,629
Total Expenditures	<u>\$ 2,738,563</u>	<u>\$ 2,684,033</u>	<u>\$ 2,912,192</u>	<u>\$ 173,629</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 366,472</u>	<u>\$ 38,000</u>	<u>\$ (141,159)</u>	<u>\$ 507,631</u>
Net Change in Fund Balance	\$ 366,472	\$ 38,000	\$ (141,159)	\$ 507,631
Fund Balance, July 1, 2004	1,179,373	1,179,543	1,179,543	(170)
Fund Balance, June 30, 2005	<u>\$ 1,545,845</u>	<u>\$ 1,217,543</u>	<u>\$ 1,038,384</u>	<u>\$ 507,461</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Hawkins County, Tennessee
Schedule of Changes in Capital Leases
Hawkins County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>CAPITAL LEASES</u>								
<u>Payable through General Purpose School Fund</u>								
Heating and Cooling System Replacement	\$ 1,336,907	5.25 %	6-22-1999	10-20-09	\$ 777,750	\$ 0	\$ 132,202	\$ 645,548
Total Payable through General Purpose School Fund					<u>\$ 777,750</u>	<u>\$ 0</u>	<u>\$ 132,202</u>	<u>\$ 645,548</u>
<u>Payable through School Federal Projects Fund</u>								
Special Education Bus	38,768	4.95	10-4-02	10-4-04	\$ 12,913	\$ 0	\$ 12,913	\$ 0
Special Education Bus	34,327	4.12	8-25-03	8-6-05	22,420	0	10,984	11,436
Special Education Bus	38,400	4.32	7-15-04	8-15-06	0	38,400	13,345	25,055
Total Payable through School Federal Projects Fund					<u>\$ 35,333</u>	<u>\$ 38,400</u>	<u>\$ 37,242</u>	<u>\$ 36,491</u>
Total Capital Leases					<u>\$ 813,083</u>	<u>\$ 38,400</u>	<u>\$ 169,444</u>	<u>\$ 682,039</u>

Exhibit F-2

Hawkins County, Tennessee
Schedule of Transfers - All Funds
Hawkins County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 5,261</u>
Total Transfers			<u>\$ 5,261</u>

Exhibit F-3

Hawkins County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Hawkins County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Hawkins County Board of Education	\$ 84,325 (1) \$	50,000	Ohio Casualty Company
<u>Public Employee Dishonest Policy:</u> School Department Employees' Blanket Bond			150,000	Tennessee School Boards Risk Management Trust

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

Exhibit F-4

Hawkins County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Hawkins County School Department
 For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 6,316,245	\$ 0	\$ 0	\$ 1,139,611	\$ 0	\$ 7,455,856
Trustee's Collections - Prior Year	346,495	0	0	62,881	0	409,376
Circuit/Clerk & Master Collections - Prior Years	117,285	0	0	21,142	0	138,427
Interest and Penalty	57,162	0	0	10,370	0	67,532
Pick-up Taxes	11,576	0	0	2,089	0	13,665
Payments in Lieu of Taxes - T.V.A.	2,058	0	0	325	0	2,383
Payments in Lieu of Taxes - Other	6,608	0	0	1,192	0	7,800
<u>County Local Option Taxes</u>						
Local Option Sales Tax	3,379,202	0	0	0	0	3,379,202
Wheel Tax	191,300	0	0	117,041	0	308,341
<u>Statutory Local Taxes</u>						
Bank Excise Tax	44,451	0	0	8,020	0	52,471
Interstate Telecommunications Tax	7,831	0	0	0	0	7,831
Total Local Taxes	\$ 10,480,213	\$ 0	\$ 0	\$ 1,362,671	\$ 0	\$ 11,842,884
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 4,207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,207
Total Licenses and Permits	\$ 4,207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,207
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 785,857	\$ 0	\$ 0	\$ 785,857
Lunch Payments - Adults	0	0	116,660	0	0	116,660
Income from Breakfast	0	0	96,182	0	0	96,182
A la carte Sales	0	0	269,805	0	0	269,805
Transportation - Other State Systems	0	0	0	45,050	0	45,050
School Based Health Services - FFS	2,097	0	0	0	0	2,097
Receipts from Individual Schools	10,160	0	0	33,755	0	43,915
<u>Other Charges for Services</u>						
Other Charges for Services	1,519	0	67,109	0	0	68,628
Total Charges for Current Services	\$ 13,776	\$ 0	\$ 1,335,613	\$ 78,805	\$ 0	\$ 1,428,194

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 21,926	\$ 0	\$ 0	\$ 21,926
Sale of Gasoline	0	0	0	181,426	0	181,426
Miscellaneous Refunds	48,625	0	0	592	0	49,217
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	325	0	0	47	0	372
Contributions & Gifts	6,681	0	0	0	0	6,681
<u>Other Local Revenues</u>						
Other Local Revenues	2,489	0	188	0	0	2,677
Total Other Local Revenues	\$ 58,120	\$ 0	\$ 22,114	\$ 182,065	\$ 0	\$ 262,299
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 26,277,286	\$ 0	\$ 0	\$ 567,811	\$ 0	\$ 26,845,097
School Food Service	0	0	39,431	0	0	39,431
Driver Education	30,235	0	0	0	0	30,235
Other State Education Funds	384,237	0	0	0	0	384,237
Career Ladder Program	478,966	0	0	0	0	478,966
Career Ladder - Extended Contract	183,543	0	0	0	0	183,543
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	811,934	0	0	0	0	811,934
Other State Grants	33,300	0	0	0	0	33,300
Total State of Tennessee	\$ 28,199,501	\$ 0	\$ 39,431	\$ 567,811	\$ 0	\$ 28,806,743
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,285,524	\$ 0	\$ 0	\$ 1,285,524
Breakfast	0	0	419,362	0	0	419,362
USDA - Other	0	0	2,991	0	0	2,991
Adult Education State Grant Program	85,632	0	0	0	0	85,632
Vocational Education - Basic Grants to States	0	187,615	0	0	0	187,615
Title I Grants to Local Education Agencies	0	1,650,485	0	0	0	1,650,485
Innovative Education Program Strategies	0	162,392	0	0	0	162,392
Special Education - Grants to States	0	1,677,207	0	0	0	1,677,207
Special Education Preschool Grants	0	19,072	0	0	0	19,072
Eisenhower Professional Development State Grants	0	416,074	0	0	0	416,074

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Other Federal through State	\$ 277,998	\$ 47,490	\$ 0	\$ 0	\$ 0	\$ 325,488
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	79,587	0	0	0	0	79,587
Total Federal Government	\$ 443,217	\$ 4,160,335	\$ 1,707,877	\$ 0	\$ 0	\$ 6,311,429
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 703,130	\$ 8,198,885	\$ 8,902,015
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 703,130	\$ 8,198,885	\$ 8,902,015
Total	\$ 39,199,034	\$ 4,160,335	\$ 3,105,035	\$ 2,894,482	\$ 8,198,885	\$ 57,557,771

Hawkins County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Hawkins County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 15,513,190	
Career Ladder Program	280,128	
Career Ladder Extended Contracts	115,970	
Homebound Teachers	133,631	
Educational Assistants	578,418	
Other Salaries & Wages	92,728	
Certified Substitute Teachers	180,669	
Social Security	1,004,828	
State Retirement	910,126	
Life Insurance	68,300	
Medical Insurance	2,042,886	
Unemployment Compensation	14,553	
Employer Medicare	235,110	
Other Contracted Services	23,669	
Instructional Supplies and Materials	335,848	
Textbooks	382,291	
Other Supplies and Materials	22,902	
Fee Waivers	63,023	
Other Charges	117,919	
Regular Instruction Equipment	82,655	
Total Regular Instruction Program		\$ 22,198,844

Alternative Instruction Program

Teachers	\$ 38,745	
Educational Assistants	1,894	
Certified Substitute Teachers	80	
Social Security	2,370	
State Retirement	2,131	
Life Insurance	169	
Unemployment Compensation	36	
Employer Medicare	554	
Total Alternative Instruction Program		45,979

Special Education Program

Teachers	\$ 2,076,027
Career Ladder Program	34,972
Career Ladder Extended Contracts	8,000
Homebound Teachers	104,957
Educational Assistants	366,889

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Salaries & Wages	\$	18,602	
Certified Substitute Teachers		72,077	
Social Security		159,293	
State Retirement		145,325	
Life Insurance		13,654	
Medical Insurance		323,618	
Unemployment Compensation		3,170	
Employer Medicare		37,258	
Contracts with Private Agencies		25,183	
Maintenance & Repair Services- Equipment		513	
Other Contracted Services		15,309	
Instructional Supplies and Materials		2,661	
Textbooks		1,327	
Other Supplies and Materials		7,123	
Other Charges		1,604	
Special Education Equipment		3,939	
Total Special Education Program			\$ 3,421,501

Vocational Education Program

Teachers	\$	851,618	
Career Ladder Program		23,000	
Career Ladder Extended Contracts		15,000	
Certified Substitute Teachers		9,990	
Social Security		53,815	
State Retirement		47,128	
Life Insurance		3,126	
Medical Insurance		86,553	
Unemployment Compensation		620	
Employer Medicare		12,586	
Instructional Supplies and Materials		12,437	
T&I Construction Materials		2,948	
Total Vocational Education Program			1,118,821

Adult Education Program

Teachers	\$	161,362	
Other Salaries & Wages		22,415	
Social Security		10,906	
State Retirement		8,876	
Life Insurance		726	

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Medical Insurance	\$	23,904	
Unemployment Compensation		192	
Employer Medicare		2,551	
Instructional Supplies and Materials		15,431	
Other Supplies and Materials		9,253	
Other Charges		1,000	
Total Adult Education Program			\$ 256,616

Support Services

Attendance

Supervisor/Director	\$	56,833	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		2,000	
Other Salaries & Wages		56,021	
Social Security		6,972	
State Retirement		6,596	
Life Insurance		416	
Medical Insurance		8,472	
Unemployment Compensation		103	
Employer Medicare		1,631	
Travel		6,805	
Other Charges		1,983	
Attendance Equipment		4,549	
Total Attendance			153,381

Health Services

Medical Personnel	\$	92,447	
Other Salaries & Wages		91,609	
Social Security		11,022	
State Retirement		11,286	
Life Insurance		864	
Medical Insurance		21,258	
Unemployment Compensation		186	
Employer Medicare		2,578	
Travel		8,662	
Other Contracted Services		6,925	
Drugs and Medical Supplies		10,513	
Other Supplies and Materials		27,076	
In Service/Staff Development		1,353	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Other Charges	\$	10,083	
Health Equipment		<u>9,500</u>	
Total Health Services			\$ 305,362

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		630,960	
Secretary(s)		52,293	
Social Security		41,375	
State Retirement		38,628	
Life Insurance		2,688	
Medical Insurance		61,256	
Unemployment Compensation		524	
Employer Medicare		9,677	
Evaluation and Testing		20,564	
Other Supplies and Materials		<u>15,897</u>	
Total Other Student Support			880,862

Regular Instruction Program

Supervisor/Director	\$	305,115	
Career Ladder Program		18,925	
Career Ladder Extended Contracts		19,000	
Librarians		692,761	
Educational Assistants		31,434	
Other Salaries & Wages		93,800	
Social Security		69,211	
State Retirement		64,493	
Life Insurance		3,775	
Medical Insurance		124,167	
Unemployment Compensation		797	
Employer Medicare		16,187	
Travel		46,048	
Library Books/Media		45,421	
In Service/Staff Development		29,489	
Other Charges		34,744	
Other Equipment		<u>74,524</u>	
Total Regular Instruction Program			1,669,891

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	132,856	
Career Ladder Program		7,000	
Psychological Personnel		86,308	
Assessment Personnel		40,949	
Secretary(s)		21,305	
Other Salaries & Wages		28,336	
Social Security		19,010	
State Retirement		17,973	
Life Insurance		957	
Medical Insurance		31,220	
Unemployment Compensation		177	
Employer Medicare		4,446	
Travel		39,193	
Other Contracted Services		27,503	
Other Supplies and Materials		7,810	
In Service/Staff Development		9,501	
Other Equipment		3,928	
Total Special Education Program			\$ 478,472

Vocational Education Program

Supervisor/Director	\$	31,099	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		2,000	
Social Security		2,132	
State Retirement		1,985	
Life Insurance		74	
Medical Insurance		4,520	
Unemployment Compensation		13	
Employer Medicare		499	
Travel		5,723	
Total Vocational Education Program			51,045

Adult Programs

Supervisor/Director	\$	84,251	
Clerical Personnel		22,337	
Social Security		6,318	
State Retirement		6,629	
Life Insurance		429	
Medical Insurance		11,558	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Unemployment Compensation	\$	80	
Employer Medicare		1,478	
Travel		3,417	
Other Supplies and Materials		3,000	
In Service/Staff Development		3,169	
Other Charges		6,000	
Total Adult Programs			\$ 148,666

Board of Education

Other Salaries & Wages	\$	10,100	
Social Security		626	
State Retirement		291	
Life Insurance		19,040	
Medical Insurance		144,747	
Unemployment Compensation		26	
Employer Medicare		146	
Dues and Memberships		9,534	
Legal Services		4,073	
Travel		14,938	
Liability Insurance		335,033	
Trustee's Commission		258,399	
Workers' Compensation Insurance		239,310	
Criminal Investigation of Applicants - TBI		3,652	
Other Charges		150	
Total Board of Education			1,040,065

Director of Schools

County Official/Administrative Officer	\$	84,325	
Secretary(s)		147,832	
Other Salaries & Wages		11,193	
Social Security		14,741	
State Retirement		14,646	
Life Insurance		1,008	
Medical Insurance		15,743	
Unemployment Compensation		217	
Employer Medicare		3,448	
Communication		28,349	
Dues and Memberships		17,800	
Postal Charges		8,000	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$	6,619	
Other Contracted Services		13,405	
Office Supplies		11,011	
Other Charges		15,971	
Total Director of Schools			\$ 394,308

Office of the Principal

Principals	\$	918,815	
Career Ladder Program		35,500	
Career Ladder Extended Contracts		24,500	
Assistant Principals		383,783	
Secretary(s)		420,099	
Social Security		102,864	
State Retirement		102,362	
Life Insurance		6,854	
Medical Insurance		208,943	
Unemployment Compensation		1,307	
Employer Medicare		24,057	
Total Office of the Principal			2,229,084

Fiscal Services

Accountants/Bookkeepers	\$	103,158	
Social Security		5,905	
State Retirement		6,984	
Life Insurance		576	
Medical Insurance		22,732	
Unemployment Compensation		106	
Employer Medicare		1,381	
Other Contracted Services		5,173	
Office Supplies		4,047	
Administration Equipment		1,000	
Total Fiscal Services			151,062

Operation of Plant

Custodial Personnel	\$	860,497	
Social Security		50,316	
State Retirement		53,173	
Life Insurance		7,902	
Medical Insurance		153,411	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Unemployment Compensation	\$	1,729	
Employer Medicare		11,767	
Travel		303	
Other Contracted Services		138,017	
Coal		13,929	
Custodial Supplies		87,789	
Electricity		988,200	
Natural Gas		405,305	
Water and Sewer		104,996	
Other Supplies and Materials		14,140	
Other Charges		12,374	
Total Operation of Plant			\$ 2,903,848

Maintenance of Plant

Supervisor/Director	\$	33,386	
Secretary(s)		22,787	
Maintenance Personnel		379,423	
Social Security		25,598	
State Retirement		27,928	
Life Insurance		2,430	
Medical Insurance		68,234	
Unemployment Compensation		521	
Employer Medicare		5,987	
Maintenance & Repair Services- Buildings		4,878	
Maintenance & Repair Services- Equipment		21,488	
Other Contracted Services		14,513	
Equipment and Machinery Parts		4,245	
Other Supplies and Materials		34,622	
Other Charges		21,525	
Maintenance Equipment		47,550	
Total Maintenance of Plant			715,115

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	54,808	
Career Ladder Program		1,000	
Social Security		3,460	
State Retirement		3,069	
Life Insurance		144	

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Unemployment Compensation	\$	27	
Employer Medicare		809	
Travel		2,809	
Total Food Service			\$ 66,126

Capital Outlay

Regular Capital Outlay

Architects	\$	32,864	
Building Improvements		540,651	
Site Development		14,478	
Other Capital Outlay		305,816	
Total Regular Capital Outlay			893,809

Principal

Education

Principal on Capitalized Leases	\$	132,202	
Total Education			132,202

Interest

Education

Interest on Capitalized Leases	\$	38,257	
Total Education			38,257

Total General Purpose School Fund \$ 39,293,316

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	567,046	
Educational Assistants		308,438	
Other Salaries & Wages		74,152	
Certified Substitute Teachers		5,260	
Social Security		57,563	
State Retirement		54,357	
Life Insurance		6,999	
Medical Insurance		70,787	
Unemployment Compensation		1,373	
Employer Medicare		13,463	
Maintenance & Repair Services- Equipment		31,357	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Contracted Services	\$	4,169	
Instructional Supplies and Materials		114,258	
Other Charges		27,294	
Regular Instruction Equipment		143,430	
Total Regular Instruction Program			\$ 1,479,946

Alternative Instruction Program

Teachers	\$	60,576	
Social Security		3,756	
State Retirement		3,332	
Life Insurance		245	
Unemployment Compensation		77	
Employer Medicare		878	
Total Alternative Instruction Program			68,864

Special Education Program

Teachers	\$	168,892	
Educational Assistants		615,323	
Other Salaries & Wages		51,939	
Social Security		48,345	
State Retirement		52,053	
Life Insurance		10,175	
Medical Insurance		167,314	
Unemployment Compensation		2,038	
Employer Medicare		11,307	
Contracts with Private Agencies		35,200	
Instructional Supplies and Materials		96,662	
Other Supplies and Materials		29,742	
Special Education Equipment		40,428	
Total Special Education Program			1,329,418

Vocational Education Program

Educational Assistants	\$	9,284	
Social Security		507	
State Retirement		629	
Life Insurance		144	
Medical Insurance		3,523	
Unemployment Compensation		28	
Employer Medicare		119	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Instructional Supplies and Materials	\$	91,607	
Other Supplies and Materials		1,971	
Vocational Instruction Equipment		58,431	
Total Vocational Education Program			\$ 166,243

Support Services

Health Services

Medical Personnel	\$	43,810	
Social Security		2,336	
State Retirement		2,808	
Life Insurance		288	
Medical Insurance		17,085	
Unemployment Compensation		80	
Employer Medicare		546	
Travel		2,000	
Other Supplies and Materials		38,721	
Other Charges		1,984	
Total Health Services			109,658

Other Student Support

Other Salaries & Wages	\$	5,746	
Social Security		356	
State Retirement		327	
Life Insurance		1	
Unemployment Compensation		4	
Employer Medicare		83	
Other Supplies and Materials		15	
Other Charges		47,416	
Total Other Student Support			53,948

Regular Instruction Program

Other Salaries & Wages	\$	67,567	
Social Security		4,018	
State Retirement		3,737	
Life Insurance		162	
Medical Insurance		8,780	
Unemployment Compensation		31	
Employer Medicare		940	
Travel		28,523	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Contracted Services	\$	15,677	
Library Books/Media		19,269	
Other Supplies and Materials		4,601	
In Service/Staff Development		202,970	
Other Charges		2,912	
Other Equipment		21,339	
Total Regular Instruction Program			\$ 380,526

Special Education Program

Assessment Personnel	\$	93,096	
Secretary(s)		20,387	
Other Salaries & Wages		2,778	
Social Security		6,997	
State Retirement		6,689	
Life Insurance		432	
Medical Insurance		8,780	
Unemployment Compensation		80	
Employer Medicare		1,636	
Maintenance & Repair Services- Equipment		474	
Other Contracted Services		18,618	
Other Supplies and Materials		40,394	
In Service/Staff Development		27,048	
Transportation Equipment		38,400	
Other Equipment		3,368	
Total Special Education Program			269,177

Vocational Education Program

Travel	\$	7,034	
In Service/Staff Development		3,242	
Total Vocational Education Program			10,276

Principal

Education

Principal on Capitalized Leases	\$	37,242	
Total Education			37,242

Interest

Education

Interest on Capitalized Leases	\$	1,562	
Total Education			1,562

Total School Federal Projects Fund \$ 3,906,860

(Continued)

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	24,986	
Clerical Personnel		33,417	
Cafeteria Personnel		944,363	
In-Service Training		48	
Social Security		59,048	
State Retirement		62,192	
Life Insurance		15,952	
Medical Insurance		157,478	
Unemployment Compensation		4,987	
Employer Medicare		13,809	
Communication		8,780	
Maintenance & Repair Services- Equipment		28,173	
Travel		64	
Other Contracted Services		155,974	
Food Preparation Supplies		103,951	
Food Supplies		1,050,147	
Office Supplies		5,497	
Uniforms		5,097	
Other Supplies and Materials		145	
Other Charges		5,875	
Food Service Equipment		58,580	
Total Food Service			\$ 2,738,563

Total Central Cafeteria Fund \$ 2,738,563

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	28,474	
Total Board of Education			\$ 28,474

Transportation

Supervisor/Director	\$	33,280	
Mechanic(s)		135,796	
Bus Drivers		839,548	
Clerical Personnel		32,760	
Social Security		60,144	
State Retirement		64,407	
Life Insurance		11,808	

(Continued)

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Medical Insurance	\$	218,102	
Unemployment Compensation		2,413	
Employer Medicare		14,066	
Communication		5,231	
Contracts with Parents		9,846	
Contracts with Vehicle Owners		4,753	
Medical and Dental Services		4,410	
Other Contracted Services		6,869	
Equipment and Machinery Parts		1,402	
Gasoline		396,585	
Lubricants		5,878	
Tires and Tubes		26,541	
Vehicle Parts		103,745	
Other Supplies and Materials		1,577	
Other Charges		31,164	
Transportation Equipment		356,132	
Total Transportation			\$ 2,366,457

Other Debt Service

Education

Contributions	\$	188,065	
Total Education			188,065

Total School Transportation Fund \$ 2,582,996

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	154,386	
Other Contracted Services		6,915	
Building Construction		7,709,668	
Building Improvements		194,124	
Total Education Capital Projects			\$ 8,065,093

Total Education Capital Projects Fund 8,065,093

Total Governmental Funds - Hawkins County School Department \$ 56,586,828

SINGLE AUDIT REPORT
HAWKINS COUNTY, TENNESSEE
AND
HAWKINS COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Assistant Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

BRAD BURKE, CPA, CIA
J. DAVID FRAKES, CGFM
DOUG SANDIDGE, CISA
State Auditors

This report is available at www.comptroller.state.tn.us

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

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

September 26, 2005

Hawkins County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Hawkins County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Hawkins County's and the Hawkins County School Department's basic financial statements and have issued our reports thereon dated September 26, 2005. Our report on the financial statements of Hawkins County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Government Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hawkins County School Department was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hawkins County's and the Hawkins County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hawkins County's and the Hawkins County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02 and 05.03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkins County's and the Hawkins County School Department's financial statements are free of material misstatement, we performed tests of their 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 05.01.

We have also noted certain matters that we reported to the management of Hawkins County and the Hawkins County School Department in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 26, 2005

Hawkins County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Hawkins County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Hawkins County and the Hawkins County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Hawkins County's and the Hawkins County School Department'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 their major federal programs is the responsibility of Hawkins County's and the Hawkins County School Department's management. Our responsibility is to express an opinion on Hawkins County's and the Hawkins County School Department'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 auditing 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 Hawkins County's and the Hawkins County School Department'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 on Hawkins County's and the Hawkins County School Department's compliance with those requirements.

In our opinion, Hawkins County and the Hawkins County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Hawkins County and the Hawkins County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hawkins County's and the Hawkins County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

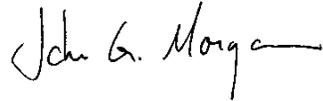
Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated September 26, 2005. Our report on the financial statements of Hawkins County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hawkins County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in

all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" followed by a horizontal flourish.

John G. Morgan
Comptroller of the Treasury

JGM/rd

Hawkins County, Tennessee and the Hawkins County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 311,835
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	419,362
National School Lunch Program	10.555	(2)	1,288,515
Total U.S. Department of Agriculture			<u>\$ 2,019,712</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-02-009165-00	\$ 341,826
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	DG-99-01322	272,651
Total U.S. Department of Housing and Urban Development			<u>\$ 614,477</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 99,414
Total U.S. Department of Labor			<u>\$ 99,414</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-05-022226-00	\$ 79,982
Title I Grants to Local Educational Agencies	84.010	N/A	1,587,670
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,577,772
Special Education - Preschool Grants	84.173	N/A	21,227
Vocational Education - Basic Grants to States	84.048	N/A	176,520
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	42,940
Even Start - State Educational Agencies	84.213	Z-04-018563-00	124,067
Twenty-First Century Community Learning Centers	84.287	(2)	98,589
State Grants for Innovative Programs	84.298	N/A	136,654
Education Technology State Grants	84.318	(2)	50,992
Advance Placement Program	84.330	Z-03-013321-00	2,242
Reading First State Grants	84.357	(2)	268,314
Improving Teacher Quality State Grants	84.367	N/A	279,946
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10271-00	9,510
Total U.S. Department of Education			<u>\$ 4,456,425</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022318-00	\$ 27,875
Total U.S. Department of Health and Human Services			<u>\$ 27,875</u>

(Continued)

Hawkins County, Tennessee and the Hawkins County School Department
Schedule of Expenditures of Federal Awards and State Grants (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U .S. Department of Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Grant	97.004	(2)	\$ 59,990
Emergency Management Performance Grants	97.042	Z-05-025370-00	<u>12,000</u>
Total U. S. Department of Department of Homeland Security			<u>\$ 71,990</u>
Total Expenditures of Federal Awards			<u>\$ 7,289,893</u>
<u>State Grants</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 17,559
Litter Program - State Department of Transportation	N/A	(2)	33,004
Aging Program-First Tennessee Development District	N/A	(2)	42,945
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	20,393
Health Department Grants - State Department of Health	N/A	(2)	297,572
Underground Storage Tank Removal - State Department of Transportation	N/A	(2)	27,657
Library Archive Grant - State Archives	N/A	(2)	5,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	12,933
Bridge Program - State Department of Transportation	N/A	(2)	99,311
State Aid Program - State Department of Transportation	N/A	(2)	182,821
Tennessee Infrastructure Industrial Program - State Department of Economic and Community Development	N/A	(2)	<u>781,512</u>
Total State Grants			<u>\$ 1,520,707</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.

Hawkins County, Tennessee, and the
Hawkins County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

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 Hawkins County, Tennessee, and the Hawkins County School Department for the year ended June 30, 2004, which have not been corrected.

HAWKINS COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.03	15	Duties were not segregated adequately in the Offices of Clerk and Master and Sheriff
04.04	16	A central system of accounting and budgeting had not been adopted

**HAWKINS COUNTY, TENNESSEE, AND THE
HAWKINS COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Hawkins County, and an unqualified opinion was issued on the financial statements of the Hawkins County School Department.
2. The audit of the financial statements of Hawkins County and the Hawkins County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Hawkins County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Hawkins County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: the Special Education - Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), Improving Teacher Quality State Grants (CFDA No. 84.367), and Food Distribution (CFDA No. 10.550) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Hawkins County and the Hawkins County School Department did not qualify as a low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We have reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the county mayor is paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

HAWKINS COUNTY

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Hawkins County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Hawkins County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Hawkins County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on the government’s financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Hawkins County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Hawkins County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

The County Mayor’s Office is filing an implementation work plan with the state, and our target date of compliance is estimated to be June 30, 2007.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.02 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Clerk and Master and Sheriff. Officials and employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

FINDING 05.03 **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting and budgeting. Establishing a central system would significantly improve controls over the accounting and budgeting processes.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

**HAWKINS COUNTY, TENNESSEE, AND THE
HAWKINS COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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