

**ANNUAL FINANCIAL REPORT**  
**HAMBLEEN COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

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

**ANNUAL FINANCIAL REPORT  
HAMBLEN COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2006**

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Comptroller of the Treasury*

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State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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## HAMBLLEN COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Hamblen County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
Management's Discussion and Analysis		13-20
<b>BASIC FINANCIAL STATEMENTS:</b>		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23-24
Statement of Activities	B	25-26
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	27-28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	30-31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	32
Fiduciary Funds:		
Statement of Fiduciary Net Assets	D-1	33
Statement of Changes in Fiduciary Net Assets	D-2	34
Notes to the Financial Statements		35-84
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		85
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	87-90
Solid Waste/Sanitation Fund	E-2	91
Notes to the Required Supplementary Information		93
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		95
Nonmajor Governmental Funds:		97-98
Combining Balance Sheet	F-1	99

	Exhibit	Page(s)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	100-101
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Special Purpose Fund	F-3	102
Drug Control Fund	F-4	103
Highway/Public Works Fund	F-5	104
Special Debt Service Fund	F-6	105
Major Governmental Funds:		107
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Debt Service Fund	G-1	109
Hospital Debt Service Fund	G-2	110
Fiduciary Funds:		111
Combining Statement of Fiduciary Assets and Liabilities	H-1	113
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	114-115
Component Unit:		117
Discretely Presented Hamblen County School Department:		
Balance Sheet – Governmental Funds	I-1	119
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-2	120
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-3	121
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-4	122
Combining Balance Sheet – Nonmajor Governmental Funds	I-5	123
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-6	124
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-7	125-126
School Federal Projects Fund	I-8	127
Central Cafeteria Fund	I-9	128
Miscellaneous Schedules:		129
Schedule of Changes in Long-term Notes, Other Loans, Capital Lease, and Bonds – Primary Government and Discretely Presented Hamblen County School Department	J-1	131-133
Schedule of Bond and Interest Requirements by Year	J-2	134
Schedule of Notes Receivable	J-3	135
Schedule of Transfers – Primary Government and Discretely Presented Hamblen County School Department	J-4	136
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Hamblen County School Department	J-5	137

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types	J-6	138-147
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Hamblen County School Department	J-7	148-149
Schedule of Detailed Expenditures – All Governmental Fund Types	J-8	150-173
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Hamblen County School Department	J-9	174-187
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-10	188
 <u>SINGLE AUDIT SECTION</u>		 189
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		191-192
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		193-194
Other Auditor’s Report on Hamblen County Emergency Communications District: Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		195
Schedule of Expenditures of Federal Awards and State Grants		197-198
Schedule of Audit Findings Not Corrected		199
Schedule of Findings and Questioned Costs		201-205
Auditee Reporting Responsibilities		207

# ***Audit Highlights***

Annual Financial Report  
Hamblen County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of Hamblen County as of and for the year ended June 30, 2006.

## ***Results***

Our report on Hamblen County's financial statements is unqualified.

Our audit resulted in seven findings and recommendations, which we have reviewed with Hamblen County 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:

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The School Federal Projects Fund had an unreserved fund balance deficit at June 30, 2006.

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### **OFFICE OF CLERK AND MASTER**

- ◆ A depository was not required to collateralize funds that exceeded Federal Deposit Insurance Corporation coverage.

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### **OFFICE OF SHERIFF**

- ◆ The office did not maintain an official cash journal and did not reconcile bank statements monthly.
  - ◆ Some collections were not deposited to the office bank account within three days of collection.
  - ◆ An annual financial report was not filed with the county mayor and county clerk.
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## **OTHER FINDINGS**

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

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# INTRODUCTORY SECTION

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# Hamblen County Officials

## June 30, 2006

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### **Officials**

David Purkey, County Mayor  
Barry Poole, Road Superintendent  
Dr. Dale Lynch, Director of Schools  
Bill Brittain, Trustee  
John Ely, Assessor of Property  
Linda Wilder, County Clerk  
Kathy Mullins, Circuit and General Sessions Courts Clerk  
Kathy Terry, Clerk and Master  
Jim Clawson, Register  
Otto Purkey, Sheriff  
Nicole Epps, Finance Director

### **Board of County Commissioners**

Joseph Spooone, Chairman	Donald Gray
Dennis Alvis	Herbert Harville
Larry Baker	Tom Lowe
Maudie Briggs	Linda Noe
John Bruce	Edwin Osborne
Guy Collins	Nancy Phillips
Doyle Fullington	Bobby Reinhardt

### **Board of Highway Commissioners**

E. C. Long, Chairman	James Hall
Charles Anderson	Dr. Arthur Tom Hyde
Billy Free	Delbert Nix
Johnny Greene	

### **Board of Education**

Carolyn Holt, Chairwoman	James Grigsby
Gary Chesney	Janice Haun
Joe Gibson, Jr.	Ralph Livesay
Roger Greene	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

January 5, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hamblen County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamblen County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Hamblen County Emergency Communications District, which represent 1.1 percent of the assets and 1.5 percent of revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamblen County Emergency Communications District, is based on the report of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of June 30, 2006, 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 January 5, 2007, on our consideration of Hamblen County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Hamblen County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries; GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34; and GASB Statement No. 47, Accounting for Termination Benefits.

The management's discussion and analysis on pages 13 through 20 and the budgetary comparison information on pages 87 through 93 are not a required part of the basic financial statements but are 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 Hamblen County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund and the Hospital Debt Service Fund, combining and individual fund financial statements of the Hamblen County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund and the Hospital Debt Service Fund, combining and individual fund financial statements of the Hamblen County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected

to the auditing procedures applied by us 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 by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink 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/rc

# HAMBLLEN COUNTY GOVERNMENT

David W. Purkey  
County Mayor



*"The People's House"*

## HAMBLLEN COUNTY, TENNESSEE MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2006

This management's discussion and analysis (MD&A) of Hamblen County's financial performance provides an overall view of the county's financial activities for the fiscal year ended June 30, 2006. In addition, this discussion and analysis includes an overall view of the Discretely Presented Component Unit (DPCU) Hamblen County School Department. A separate set of financial statements is not issued for the Hamblen County School Department. The intent of this discussion and analysis is to look at the county's and the DPCU Hamblen County School Department's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the county's financial performance as well as the DPCU School Department's financial performance. Also, readers should review the separately issued Discretely Presented Component Unit financial statements for their MD&A.

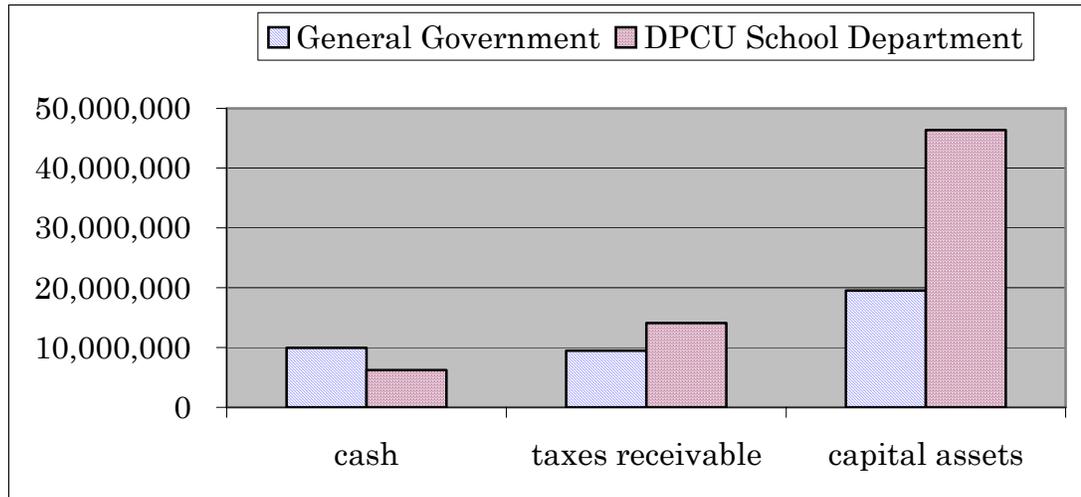
### FINANCIAL HIGHLIGHTS FOR FY 2006

Net assets of the Primary Government	(\$10,579,670)
Net assets of the DPCU School Department	\$52,964,786

The net assets of the Primary Government increased by \$1.6 million. The net assets of the DPCU School Department (SD) decreased by \$500 thousand. The majority of the large discrepancy in the net asset numbers above is related to the fact that school buildings constructed with county debt are recorded as assets for the DPCU SD, but the debt issued to fund those capital assets is recorded as a liability for the Primary Government. All net assets of the Primary Government and the DPCU SD are related to governmental activities.

- General revenues of the Primary Government accounted for \$13.4 million in revenues or 60 percent of all revenues.
- General revenues of the DPCU SD accounted for \$53.5 million or 85 percent of all revenues.
- Program specific revenues of the Primary Government in the form of charges for services and sales, grants, and contributions accounted for \$8.9 million or 40 percent of total governmental activities revenues.

- Total assets of governmental activities of the Primary Government were \$9,956,725 cash, \$9,460,618 taxes receivable (net of allowance), and capital assets \$19,518,098.
- Total assets of DPCU SD were \$6,231,894 cash, \$14,075,762 net taxes receivable, and capital assets \$46,394,511.



Hamblen County reported a total unreserved fund balance for all funds of \$8,426,617, an increase of \$2.1 million from the prior year. Of this amount, the General Fund’s portion was \$1.4 million or 17 percent.

Total unreserved fund balance for the DPCU SD was \$4,947,948, an increase of \$1 million from the prior year. Of this amount, the General Purpose School Fund was \$4,241,074 or 86 percent.

## OVERVIEW OF THE ANNUAL FINANCIAL REPORT (AFR)

This annual report consists of a series of financial statements and notes to those statements and other supplemental information related to these financial statements. These statements are organized so the reader can understand Hamblen County as a financial whole (and entire operating entity). The statements then proceed to provide an increasingly detailed look at specific financial activities. These fund financial statements look at the county’s most significant funds with all other nonmajor funds presented in total in one column.

First, the Statement of Net Assets and the Statement of Activities present a government-wide view of the county’s finances. The next level is the governmental funds level of detail, and then the individual fund is the most detailed level.

The Hamblen County government adopts an annual appropriated budget for its funds. Budgetary comparison statements are included in the report. Refer to the table of contents for the location of the various funds’ budget statements.



## **Reporting on the County as a Whole**

Statement of Net Assets and the Statement of Activities: These statements provide a broad picture of financial activities during fiscal year-end 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the county's net assets and changes in these assets as well as those of the county's discretely presented component units. This change in assets is important because it tells the reader that the financial position of the county and the discretely presented component units have improved or diminished. The cause of this change may be the results of many factors, some financial, some not. On the Statement of Net Assets and the Statement of Activity, the county reports its activities as governmental activities. The county's programs and services are reported here, including general government; finance; administration of justice; public safety; public health and welfare; social, cultural, and recreational services; highways; and other operations. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues. The activities of the DPCU SD are reported as governmental revenues including federal and state grants and other shared revenues.

## **Reporting the County's Most Significant Funds**

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hamblen County and the DPCU SD, like other state and local governments, use fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of Hamblen County and the DPCU SD can be divided into two categories: governmental funds and fiduciary funds. In the case of Hamblen County, the General Fund is by far the most significant fund. Other major funds include the Solid Waste/Sanitation, General Debt Service, and the Hospital Debt Service Funds. In the case of the DPCU SD, the General Purpose School Fund is the only major fund.

Fund financial reports provide detailed information about the county's major funds. The county uses many funds to account for a multitude of financial transactions. However, these statements concentrate on the county's most significant funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on the near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the

governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The county and the DPCU SD maintain a multitude of individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for major funds, which were identified earlier. Data from all other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of the nonmajor funds is provided in the form of combining statements in the required supplemental information of this report. Please refer to the table of contents to locate these statements.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the county's own programs. The accounting used for fiduciary funds is much like that used to report proprietary funds. Please refer to the table of contents to locate statements.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the table of contents.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including combining and individual fund statements and schedules. Please refer to the table of contents to locate these statements and schedules. Financial statements for the DPCU SD are presented immediately following the nonmajor funds statements and schedules. This component unit does not issue separate financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets, over time, may serve as a useful indicator of a government's financial position. In the case of the county, liabilities exceeded assets by \$10.6 million at the close of the most recent fiscal year. For the DPCU SD, assets exceeded liabilities by \$53 million at the close of the most recent fiscal year.

A large portion of the county's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The county uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The same holds true for the DPCU SD. A large portion of its net assets reflects its investment in capital assets as described above. It must be noted that although the Hamblen County government's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## NET ASSETS

Table 1 provides a summary of the county's net assets for fiscal year 2006, and a comparison to the prior year for the Primary Government and the discretely presented School Department.

Table 1  
Hamblen County Government and DPCU School Department Net Assets  
Governmental Activities

	Hamblen County Government	
	2006	2005
Current and Other Assets	\$ 50,898,198	\$ 48,531,199
Capital Assets	19,518,098	19,566,386
Total Assets	<u>\$ 70,416,296</u>	<u>\$ 68,097,585</u>
Long-term liabilities outstanding	\$ 71,192,929	\$ 70,874,629
Other Liabilities	9,803,037	9,400,655
Total Liabilities	<u>\$ 80,995,966</u>	<u>\$ 80,275,284</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 12,805,113	\$ 13,781,038
Restricted	8,159,257	5,292,543
Unrestricted	<u>(31,544,040)</u>	<u>(31,251,280)</u>
Total Net Assets	<u>\$ (10,579,670)</u>	<u>\$ (12,177,699)</u>
	DPCU School Department	
	2006	2005
Current and Other Assets	\$ 23,041,558	\$ 21,284,753
Capital Assets	46,394,511	47,479,095
Total Assets	<u>\$ 69,436,069</u>	<u>\$ 68,763,848</u>
Long-term liabilities outstanding	\$ 1,584,074	\$ 898,668
Other Liabilities	14,887,209	14,381,519
Total Liabilities	<u>\$ 16,471,283</u>	<u>\$ 15,280,187</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 45,969,686	\$ 46,729,414
Restricted	1,393,398	1,288,790
Unrestricted	<u>5,601,702</u>	<u>5,465,457</u>
Total Net Assets	<u>\$ 52,964,786</u>	<u>\$ 53,483,661</u>

## CHANGES IN NET ASSETS

Table 2 shows the changes in net assets for fiscal year 2006, and a comparison to the changes in net assets of the prior year for the Primary Government and the discretely presented School Department.

Table 2  
Hamblen County Government and DPCU School Department Changes in Net Assets  
Governmental Activities

	<u>Hamblen County Government</u>		<u>Hamblen County School Dept.</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 6,508,970	\$ 5,866,128	\$ 2,374,616	\$ 2,230,107
Operating Grants and Contributions	2,095,059	2,006,404	7,078,826	7,089,361
Capital Grants and Contributions	341,118	1,657,594	92,236	422,389
General Revenues:				
Property Taxes	8,890,685	8,456,595	13,226,517	12,629,390
Sales Taxes	585,130	565,077	10,177,907	9,860,124
Other Taxes	1,933,872	1,879,643	728,947	836,897
Grants and Contributions Not Restricted to Specific Programs	1,138,375	1,384,863	29,286,701	27,527,106
Unrestricted Investment Income	717,799	332,576	20,158	7,244
Restricted Investment Income	19,650	0	0	0
Miscellaneous	104,304	176,101	66,530	466,522
Gain on Sale of Capital Assets	0	0	17,547	7,203
Total Revenues	<u>\$ 22,334,962</u>	<u>\$ 22,324,981</u>	<u>\$ 63,069,985</u>	<u>\$ 61,076,343</u>
Expenses:				
General Government	\$ 1,655,314	\$ 1,726,687	\$ 0	\$ 0
Finance	1,689,326	1,589,039	0	0
Administration of Justice	1,528,245	1,492,884	0	0
Public Safety	4,762,784	4,739,475	0	0
Public Health and Welfare	4,041,702	2,157,675	0	0
Social, Cultural, and Recreational Services	752,078	710,848	0	0
Agricultural and Natural Resources	150,388	137,807	0	0
Other Operations	938,390	1,042,455	0	0
Highways	1,922,907	2,077,837	0	0
Education	60,000	0	63,588,860	60,241,756
Interest	3,109,082	2,570,835	0	0
Other Debt Service	126,717	570,403	0	0
Total Expenses	<u>\$ 20,736,933</u>	<u>\$ 18,815,945</u>	<u>\$ 63,588,860</u>	<u>\$ 60,241,756</u>
Increase (Decrease) in Net Assets	\$ 1,598,029	\$ 3,509,036	\$ (518,875)	\$ 834,587
Net Assets July 1	<u>(12,177,699)</u>	<u>(15,686,735)</u>	<u>53,483,661</u>	<u>52,649,074</u>
Net Assets June 30	<u>\$ (10,579,670)</u>	<u>\$ (12,177,699)</u>	<u>\$ 52,964,786</u>	<u>\$ 53,483,661</u>

## **FINANCIAL COMPARISON – PRIMARY GOVERNMENT**

The General Fund is the chief operating fund of the county. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,390,614, while total fund balance reached \$1,814,963, increases of \$1,010,408 and \$817,351, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 13 percent of total General Fund expenditures, while total fund balance represents 17 percent of that same amount.

The General Debt Service Fund had a fund balance of \$5.1 million at June 30, 2006, an increase of approximately \$543,432.

The Solid Waste/Sanitation Fund has rebounded nicely over the last three years, from a deficit of \$205,578 at June 30, 2003, to a fund balance of \$548,329 at June 30, 2004, and ending June 30, 2006, with a fund balance of \$1,163,258. This turnaround was a result of a 21-cent tax increase levied during the 2004 year.

## **FINANCIAL COMPARISON – DPCU SD**

The General Purpose School Fund (GPSF) is the chief operating fund of the DPCU School Department. At the end of the current fiscal year, unreserved fund balance of the General Purpose School Fund was \$4.2 million, an increase of approximately \$0.7 million from the prior year. Total fund balance reached \$5.4 million, an increase of approximately \$0.8 million over fund balance a year ago. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately eight percent of the GPSF expenditures, while total fund balance represents 10.2 percent of that same amount.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets: The county's investments in capital assets for its governmental activities as of June 30, 2006, totaled \$12,805,113 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment, roads, highways, and bridges. The DPCU SD's investment in capital assets for its governmental activities as of June 30, 2006, totaled \$45,969,686 (net of accumulated depreciation and related debt).

Note IV.E. (Capital Assets) provides capital asset activity during the 2006 fiscal year.

Long Term Debt: At the end of the 2006 fiscal year, the county had total loan agreements outstanding of \$69.2 million. Of this amount, all are backed by the full faith and credit of the county. The county's long-term agreements increased by approximately \$600,000 during the 2006 fiscal year, representing further drawdowns on existing agreements. The county maintains an 'A' rating for Standard & Poor's Agencies for general obligation debt. Total bonded debt outstanding for the county is \$690,000 for the 2006 year-end. Of this amount, all is backed by the full faith and credit of the government. The remainder of the

Hamblen County Government's debt represents capital outlay notes and capital leases secured by the taxing power of the county and/or the assets financed.

Note IV.H. includes details of the county's capital leases. Note IV.I. discusses details of other long-term debt requirements. Note IV.J. provides information regarding revenue anticipation notes.

The DPCU SD has notes payable of \$150,000 and capital leases of \$274,825. Details of these requirements are also included in the notes referenced in the preceding paragraph.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The unemployment rate for the county as of December 2006, was six percent, slightly below the rate a year ago. The state's average unemployment rate is currently 5.4 percent and the national average is 4.7 percent. Inflationary trends in the region compare favorably to national indices. All of these factors were considered in preparing the county's budget for the 2007 fiscal year.

## **REQUEST FOR INFORMATION**

This report is designed to provide a general overview of the county's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report, please contact the Finance Department at 511 West Second North Street, Morristown, Tennessee 37814.

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Hamblen County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government Governmental Activities	Component Units	
		Hamblen County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash and Equivalents	\$ 238,953	\$ 0	\$ 377,320
Equity in Pooled Cash and Investments	9,717,772	6,231,894	0
Inventories	0	136,527	0
Accounts Receivable	39,250	151	89,788
Due from Other Governments	675,492	2,537,224	0
Due from Primary Government	0	60,000	0
Property Taxes Receivable	9,634,619	14,335,603	0
Allowance for Uncollectible Property Taxes	(174,001)	(259,841)	0
Note Receivable - Current	19,444	0	0
Loan Receivable	1,474,980	0	0
Capital Lease Receivable	28,390,851	0	0
Note Receivable - Long-term	97,224	0	0
Deferred Charges Debt Issuance Cost	783,614	0	0
Capital Assets			
Assets Not Depreciated:			
Land	362,779	2,528,300	0
Construction in Progress	15,450	421,830	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	7,069,352	40,731,474	222,165
Infrastructure	10,792,521	0	0
Other Capital Assets	1,277,996	2,712,907	76,058
Total Assets	<u>\$ 70,416,296</u>	<u>\$ 69,436,069</u>	<u>\$ 765,331</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 242,418	\$ 1,233,897	\$ 12,541
Accrued Payroll	13,008	6,403	0
Accrued Interest Payable	331,455	0	0
Payroll Deductions Payable	0	169,025	4,245
Due to Component Unit	60,000	0	0
Other Current Liabilities	41,300	0	0
Deferred Revenue - Property Taxes	9,061,905	13,477,884	0
Unamortized Premium on Debt	52,951	0	0
Noncurrent Liabilities:			
Due Within One Year	715,372	616,726	4,270
Due in More than One Year	70,477,557	967,348	12,811
Total Liabilities	<u>\$ 80,995,966</u>	<u>\$ 16,471,283</u>	<u>\$ 33,867</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Hamblen County School Department	Emergency Communica- tions District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 12,805,113	\$ 45,969,686	\$ 0
Invested in Capital Assets	0	0	298,223
Restricted for:			
Solid Waste/Sanitation	1,263,338	0	0
Drug Control	88,866	0	0
Highways	484,996	0	0
Debt Service	5,100,828	0	0
Capital Projects	760,361	0	0
Provisions of Private Act (Hospital)	346,508	0	0
State and Federal Financial Assistance Programs	0	1,393,398	0
Other Purposes	114,360	0	0
Unrestricted	<u>(31,544,040)</u>	<u>5,601,702</u>	<u>433,241</u>
Total Net Assets	<u>\$ (10,579,670)</u>	<u>\$ 52,964,786</u>	<u>\$ 731,464</u>

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

Exhibit B

Hamblen County, Tennessee  
Statement of Activities  
 For the Year Ended June 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Hamblen County School Department	Emergency Communications District
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 1,655,314	\$ 885,285	\$ 16,380	\$ 0	(753,649)	\$ 0	\$ 0
Finance	1,689,326	1,606,193	17,916	0	(65,217)	0	0
Administration of Justice	1,528,245	1,169,535	25,096	0	(333,614)	0	0
Public Safety	4,762,784	666,393	194,168	250,884	(3,651,339)	0	0
Public Health and Welfare	4,041,702	2,153,855	164,170	0	(1,723,677)	0	0
Social, Cultural, and Recreational Services	752,078	25,981	0	26,676	(699,421)	0	0
Agricultural and Natural Resources	150,388	0	0	0	(150,388)	0	0
Other Operations	938,390	0	0	1,070	(937,320)	0	0
Highways	1,922,907	1,728	1,677,329	62,488	(181,362)	0	0
Education	60,000	0	0	0	(60,000)	0	0
Interest on Long-term Debt	3,109,082	0	0	0	(3,109,082)	0	0
Debt Service	126,717	0	0	0	(126,717)	0	0
<b>Total Primary Government</b>	<b>\$ 20,736,933</b>	<b>\$ 6,508,970</b>	<b>\$ 2,095,059</b>	<b>\$ 341,118</b>	<b>\$ (11,791,786)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Units:</b>							
Hamblen County School Department	\$ 63,588,860	\$ 2,374,616	\$ 7,078,826	\$ 92,236	0	\$ (54,043,182)	\$ 0
Emergency Communications District	839,295	604,004	0	0	0	0	(235,291)
<b>Total Component Units</b>	<b>\$ 64,428,155</b>	<b>\$ 2,978,620</b>	<b>\$ 7,078,826</b>	<b>\$ 92,236</b>	<b>0</b>	<b>\$ (54,043,182)</b>	<b>\$ (235,291)</b>

(Continued)

Exhibit B

Hamblen County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Total Governmental Activities	Hamblen County School Department	Emergency Communications District
General Revenues:							
Property Taxes Levied for General Purposes				\$ 5,017,452	\$ 0	\$ 0	0
Property Taxes Levied for Public Health and Welfare Purposes				1,136,656	0	0	0
Property Taxes Levied for Debt Purposes				2,736,577	0	0	0
Property Taxes Levied for Education Purposes				0	13,226,517	0	0
Local Option Sales Tax				585,130	10,177,907	0	0
Hotel/Motel Tax				8,052	0	0	0
Wheel Tax				789,160	720,532	0	0
Litigation Taxes				304,006	0	0	0
Business Tax				723,070	0	0	0
Wholesale Beer Tax				103,928	0	0	0
Interstate Telecommunications Tax				5,656	8,415	0	0
Grants and Contributions not restricted to specific programs				1,138,375	29,286,701	318,324	
Unrestricted Investment Income				717,799	20,158	12,170	
Investment Income Restricted by Enabling Legislation				19,650	0	0	
Miscellaneous				104,304	66,530	559	
Gain on Disposal of Capital Assets				0	17,547	0	
Total General Revenues				\$ 13,389,815	\$ 53,524,307	\$ 331,053	
Change in Net Assets				\$ 1,598,029	\$ (518,875)	\$ 95,762	
Net Assets, July 1, 2005				(12,177,699)	53,483,661	635,702	
Net Assets, June 30, 2006				\$ (10,579,670)	\$ 52,964,786	\$ 731,464	

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

Exhibit C-1

Hamblen County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2006

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238,953	\$ 238,953
Equity in Pooled Cash and Investments	1,855,641	1,172,300	5,042,614	465,810	1,181,407	9,717,772
Accounts Receivable	11,061	0	0	0	5,926	16,987
Due from Other Governments	266,971	119,821	0	0	288,700	675,492
Due from Other Funds	29,962	0	90,000	0	0	119,962
Property Taxes Receivable	5,437,643	1,230,989	2,965,987	0	0	9,634,619
Allowance for Uncollectible Property Taxes	(98,560)	(21,681)	(53,760)	0	0	(174,001)
Notes Receivable - Current	0	0	19,444	0	0	19,444
Loan Receivable	0	0	0	0	1,474,980	1,474,980
Capital Lease Receivable	0	0	0	28,390,851	0	28,390,851
Notes Receivable - Long-Term	0	0	97,224	0	0	97,224
Total Assets	\$ 7,502,718	\$ 2,501,429	\$ 8,161,509	\$ 28,856,661	\$ 3,189,966	\$ 50,212,283
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 151,206	\$ 77,015	\$ 0	\$ 0	\$ 14,197	\$ 242,418
Accrued Payroll	13,008	0	0	0	0	13,008
Due to Other Funds	90,000	0	0	0	7,699	97,699
Due to Component Units	0	0	0	60,000	0	60,000
Other Current Liabilities	41,300	0	0	0	0	41,300
Deferred Revenue - Current Property Taxes	5,112,301	1,161,076	2,788,528	0	0	9,061,905
Deferred Revenue - Delinquent Property Taxes	205,276	43,474	111,969	0	0	360,719
Other Deferred Revenues	74,664	56,606	116,668	28,390,851	149,333	28,788,122
Total Liabilities	\$ 5,687,755	\$ 1,338,171	\$ 3,017,165	\$ 28,450,851	\$ 171,229	\$ 38,665,171
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 309,989	\$ 1,912	\$ 0	\$ 0	\$ 109,723	\$ 421,624
Reserved for Alcohol and Drug Treatment	19,768	0	0	0	0	19,768
Reserved for Drug Court	12,022	0	0	0	0	12,022

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Governmental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Computer System - Register	\$ 29,785	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,785
Reserved for Loan Receivable	0	0	0	0	1,475,000	1,475,000
Reserved for Capital Outlay	0	0	0	0	651,942	651,942
Other Federal Reserves	0	0	0	0	21,061	21,061
Reserved for Other General Purposes	52,785	0	90,000	346,508	0	489,293
Unreserved, Reported In:						
General Fund	1,390,614	0	0	0	0	1,390,614
Special Revenue Funds	0	1,161,346	0	0	639,344	1,800,690
Debt Service Funds	0	0	5,054,344	59,302	0	5,113,646
Capital Projects Funds	0	0	0	0	121,667	121,667
Total Fund Balances	<u>\$ 1,814,963</u>	<u>\$ 1,163,258</u>	<u>\$ 5,144,344</u>	<u>\$ 405,810</u>	<u>\$ 3,018,737</u>	<u>\$ 11,547,112</u>
Total Liabilities and Fund Balances	<u>\$ 7,502,718</u>	<u>\$ 2,501,429</u>	<u>\$ 8,161,509</u>	<u>\$ 28,856,661</u>	<u>\$ 3,189,966</u>	<u>\$ 50,212,283</u>

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

Exhibit C-2

Hamblen County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

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)		\$	11,547,112
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	362,779	
Add: construction in progress		15,450	
Add: infrastructure net of accumulated depreciation		10,792,521	
Add: buildings and improvements net of accumulated depreciation		7,069,352	
Add: other capital assets net of accumulated depreciation		<u>1,277,996</u>	19,518,098
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(1,352,834)	
Less: other loans payable		(69,175,851)	
Less: bonds payable		(690,000)	
Add: deferred amount on refunding		25,756	
Add: deferred charges - debt issuance costs		783,614	
Less: accrued interest on bonds, notes, and other loans payable		(331,455)	
Less: other deferred revenue - premium on debt		<u>(52,951)</u>	(70,793,721)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>29,148,841</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u>(10,579,670)</u>

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

Exhibit C-3

Hamblen County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 6,850,678	\$ 1,833,442	\$ 2,848,114	\$ 0	\$ 1,600	\$ 11,533,834
Licenses and Permits	379,536	2,011	0	0	0	381,547
Fines, Forfeitures, and Penalties	253,927	0	74,757	0	98,980	427,664
Charges for Current Services	214,600	0	0	0	1,173,541	1,388,141
Other Local Revenues	61,196	69,313	865,556	1,209,351	111,571	2,316,987
Fees Received from County Officials	1,611,155	0	0	0	0	1,611,155
State of Tennessee	1,047,537	526,537	0	0	1,671,430	3,245,504
Federal Government	858,314	0	0	0	3,718	862,032
Other Governments and Citizens Groups	113,065	0	0	0	0	113,065
Total Revenues	\$ 11,390,008	\$ 2,431,303	\$ 3,788,427	\$ 1,209,351	\$ 3,060,840	\$ 21,879,929
<u>Expenditures</u>						
Current:						
General Government	\$ 1,363,908	\$ 0	\$ 0	\$ 0	\$ 198,839	\$ 1,562,747
Finance	893,354	0	0	0	795,972	1,689,326
Administration of Justice	1,233,292	0	0	0	174,966	1,408,258
Public Safety	4,805,140	0	0	0	67,729	4,872,869
Public Health and Welfare	506,194	2,381,176	0	877,105	0	3,764,475
Social, Cultural, and Recreational Services	726,747	0	0	0	42,729	769,476
Agricultural and Natural Resources	150,388	0	0	0	0	150,388
Other Operations	938,390	0	0	0	0	938,390
Highways	0	0	0	0	1,892,719	1,892,719
Debt Service:						
Principal on Debt	0	0	1,268,891	0	225,000	1,493,891
Interest on Debt	0	0	1,913,091	1,060,259	52,900	3,026,250
Other Debt Service	0	0	63,013	482	608	64,103
Capital Projects	90,000	0	0	62,500	348,639	501,139
Total Expenditures	\$ 10,707,413	\$ 2,381,176	\$ 3,244,995	\$ 2,000,346	\$ 3,800,101	\$ 22,134,031
Excess (Deficiency) of Revenues Over Expenditures	\$ 682,595	\$ 50,127	\$ 543,432	\$ (790,995)	\$ (739,261)	\$ (254,102)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,100,000	\$ 1,100,000
Other Loans Issued	0	0	0	877,105	0	877,105

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Insurance Recovery	\$ 15,062	\$ 0	\$ 0	\$ 0	\$ 8,034	\$ 23,096
Transfers In	119,694	0	0	0	0	119,694
Transfers Out	0	0	0	0	(119,694)	(119,694)
Total Other Financing Sources (Uses)	\$ 134,756	\$ 0	\$ 0	\$ 877,105	\$ 988,340	\$ 2,000,201
Net Change in Fund Balances	\$ 817,351	\$ 50,127	\$ 543,432	\$ 86,110	\$ 249,079	\$ 1,746,099
Fund Balance, July 1, 2005	997,612	1,113,131	4,600,912	319,700	2,769,658	9,801,013
Fund Balance, June 30, 2006	\$ 1,814,963	\$ 1,163,258	\$ 5,144,344	\$ 405,810	\$ 3,018,737	\$ 11,547,112

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

Exhibit C-4

Hamblen County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2006

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)		\$	1,746,099
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	485,563	
Less: current year depreciation expense		<u>(596,339)</u>	(110,776)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.			
Add: assets donated and capitalized			62,488
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$	29,148,841	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(28,756,296)</u>	392,545
(4) The issuance of long-term debt (e.g., bonds, 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.			
Less: note proceeds	\$	(1,100,000)	
Less: other loan proceeds		(877,105)	
Add: change in premium on debt issuances		13,294	
Less: change in deferred debt issuance cost		(75,908)	
Add: principal payments on bonds		1,230,000	
Add: principal payments on notes		175,224	
Add: principal payments on other loans		225,000	
Less: change in deferred amount on refunding debt		<u>(37,664)</u>	(447,159)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable			<u>(45,168)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>1,598,029</u></u>

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

Exhibit D-1

Hamblen County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	Other Employee Benefit Trust Fund	
	<u>Employee Benefit Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 1,792,826
Equity in Pooled Cash and Investments	2,240	25,113
Due from Other Governments	0	1,626,688
Prior Year Cash Shortages	0	26,464
	<u>0</u>	<u>1,626,688</u>
Total Assets	\$ 2,240	\$ <u><u>3,471,091</u></u>
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 22,263
Due to Other Taxing Units	0	1,637,643
Due to Litigants, Heirs, and Others	0	1,797,027
Due to Joint Ventures	0	14,158
	<u>0</u>	<u>1,637,643</u>
Total Liabilities	\$ 0	\$ <u><u>3,471,091</u></u>
<u>NET ASSETS</u>		
Funds Held in Trust for Employees	<u>2,240</u>	
Net Assets	<u><u>2,240</u></u>	

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

Exhibit D-2

Hamblen County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2006

	Other Employee Benefit Trust Fund
	<u>Employee Benefit Trust Fund</u>
<u>ADDITIONS</u>	
Plan Member Contributions	\$ 13,290
Total Additions	<u>\$ 13,290</u>
<u>DEDUCTIONS</u>	
Employee Benefits:	
Other Fringe Benefits	<u>\$ 12,325</u>
Total Deductions	<u>\$ 12,325</u>
Change in Net Assets	\$ 965
Net Assets, July 1, 2005	<u>1,275</u>
Net Assets, June 30, 2006	<u><u>\$ 2,240</u></u>

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

**HAMBLEN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Hamblen County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

**A. Reporting Entity**

Hamblen County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Hamblen County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Hamblen County School Department operates the public school system in the county, and the voters of Hamblen 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 Hamblen County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hamblen County. The Hamblen County Emergency Communications District is governed by a ten-member Board of Directors, which is appointed by the county mayor and confirmed by the Hamblen County Commission. 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 Hamblen County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the Hamblen County School Department are included in this report as listed in the table of contents. Complete financial statements of the Hamblen County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Hamblen County Emergency Communications District  
530 North Jackson Street  
Morristown, Tennessee 37814

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidated in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Hamblen County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hamblen County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Hamblen County issues all debt for the discretely presented Hamblen County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2006.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Hamblen 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hamblen County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the 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 (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hamblen 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.

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

**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.

**Hospital Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on hospital long-term general obligation debt.

Additionally, Hamblen County reports the following fund types:

**Capital Projects Funds** – These funds are used to account for financial resources to be used in the acquisition or construction of major capital facilities.

**Other Employee Benefit Trust Fund** – The Employee Benefit Trust Fund is used to account for operation of the flexible benefits program for Hamblen County employees.

**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 Hamblen County, and assets held in a custodial capacity for a multi-jurisdictional crime unit. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Hamblen County School Department reports the following major governmental fund:

**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.

Additionally, the Hamblen County School Department reports the following fund types:

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

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 and the discretely presented Hamblen County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the various funds based on the approved budgets. Hamblen County and the Hamblen 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 state treasurer. All other investments are reported at fair value.

**2. Receivables and Payables**

Activity between funds for unremitted current collections or that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds.

Receivables for notes, loans, and other long-term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .97 percent of total taxes levied.

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

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

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

that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements. Other current liabilities reflected in the primary government funds represent deposits placed with Hamblen County for construction bonds on area developments (\$41,300).

**3. Inventories**

Inventories of the discretely presented Hamblen County School Department are recorded at the lower of cost or market determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are

depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	3 - 15
Infrastructure	100

**5. Compensated Absences**

Vacation leave benefits for employees of Hamblen County do not vest or accumulate and must be used within the current year or are lost. Therefore, no accrual has been recorded for vacation pay.

Vacation benefits for all 12-month employees of the discretely presented School Department are earned in the current year for use in the subsequent year. Therefore, accrued leave balances payable of \$152,721 recorded as a liability in this report must be used in one year or are lost.

There is no liability for unpaid accumulated sick leave since Hamblen County and the Hamblen County School Department do not have policies to pay any amounts when employees separate from service with the government.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term

obligations, including compensated absences and special termination benefits are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

The government-wide statement of net assets reports \$8,159,257 of restricted net assets, of which \$346,508 is restricted by enabling legislation.

As of June 30, 2006, Hamblen County had \$34,604,000 in outstanding debt for capital purposes for the discretely presented Hamblen County School Department. This debt is a liability of Hamblen County, but the capital assets acquired are reported in the financial statements of the Hamblen County School Department. Therefore, Hamblen County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

On the Balance Sheet – Governmental Funds (Exhibit C-1), the Reserved for Other General Purposes consists of: 1) primarily revenues received and reserved for mapping (\$44,641) in the General Fund; 2) \$90,000 for an interfund loan in the General Debt Service Fund to indicate it is not available for appropriation; and 3) \$346,508 in the Hospital Debt Service Fund, which is reserved due to provisions of a private act regarding excess payments on the hospital lease.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

#### Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

#### Discretely Presented Hamblen County School Department

Exhibit I-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

### B. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

#### Primary Government

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

#### Discretely Presented Hamblen County School Department

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. **Budgetary Information**

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

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

**B. Unreserved Fund Balance Deficit**

The School Federal Projects Fund (special revenue fund) of the discretely presented Hamblen County School Department had an unreserved fund balance deficit of \$23,488 at June 30, 2006. This fund deficit resulted from the deferral of certain revenues because the revenues were received more than 60 days after year end. The deficit was liquidated when these revenues were recognized after June 30, 2006.

**C. Prior Year Cash Shortages**

Prior year cash shortages of \$12,138 and \$14,326 still existed in the Offices of County Clerk and Sheriff, respectively, on June 30, 2006. During the current year, a former employee of the County Clerk's Office entered into a pre-trial diversion agreement providing for \$15,000 in restitution to be made to the County Clerk's Office over two years. A former employee of the Sheriff's Office was acquitted at trial of the theft charges relating to the shortage in that office. County officials are still pursuing options for the collection of this shortage as of the date of this report.

**D. The County Had Deposits That Were Exposed to Custodial Credit Risk**

The clerk and master did not require one depository holding county funds to pledge securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2006, deposits at this depository exceeded FDIC coverage by \$69,197. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

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

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of bank failure, Hamblen County's deposits may not be returned to it. Hamblen County does not have a formal policy that limits custodial credit risk for deposits. As of June 30, 2006, nonpooled bank balances of \$69,197 were exposed to custodial credit risk as uninsured and uncollateralized. This amount consists of a certificate of deposit reported in the fiduciary funds. Uninsured and uncollateralized deposits are a violation of state statutes.

##### 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.

**Investment Balances.** As of June 30, 2006, Hamblen County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hamblen County and the discretely presented Hamblen County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
State Treasurer's Investment Pool	Daily	\$ 648,198
Federal Home Loan Bank	4-5-07	200,000
Federal National Mortgage Association	1-18-08	200,000
Total		\$ 1,048,198

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Hamblen County has a formal investment policy with the same requirements as state statutes for limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hamblen County has an investment policy that limits its investment choices to those authorized by state statute, with safety, liquidity, and yield being priorities specified by the policy. As of June 30, 2006, Hamblen County's investment in the State Treasurer's Investment Pool was unrated. Hamblen County's investments in Federal Home Loan Bank were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's Ratings. Hamblen County's investments in

Federal National Mortgage Association were rated AAA by Standard & Poor's Ratings.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Hamblen County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank and Federal National Mortgage Association. Each of these investments represents 19.08 percent of the county's total investments.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Hamblen County's investment policy regarding custodial credit risk is the same as state statutes.

**B. Note Receivable**

The General Debt Service Fund has a long-term note receivable totaling \$116,668 at June 30, 2006. This note receivable resulted from Jefferson Federal Savings and Loan and Lakeway Publishers, Inc., entering into an agreement to repay the county the cost of construction of the amphitheater located in Cherokee Park for the naming rights of the amphitheater. The amount of the note that is not expected to be received within one year is \$97,224.

**C. Loan Receivable**

The Special Debt Service Fund has an intergovernmental long-term loan receivable totaling \$1,474,980 at June 30, 2006. This loan receivable resulted from the primary government issuing debt on behalf of the Hamblen County-Morristown Solid Waste Disposal System, a joint venture, and entering into an agreement for the joint venture to repay the county the principal and interest requirements on the debt. The amount of the loan not expected to be received within one year is \$1,245,000.

**D. Lease Receivable**

The Hospital Debt Service Fund has a lease receivable totaling \$28,390,851 at June 30, 2006. This lease receivable resulted from the primary government issuing debt to fund the purchase and lease back of hospital facilities used by the Morristown-Hamblen Hospital Association (MHHA). The agreement requires payment to the county in amounts equal to the principal requirements on the county's outstanding debt along with minimum interest at the rate of five percent on a majority of the outstanding principal on the county's debt. The original term of the lease is ten years with the lessee having options for ten additional terms of ten years each. Lease terms also allow the lessee to buy out the lease at any time for \$30,000,000 less stipulated credits for charitable care service; however, the minimum buyout

terms cannot be lower than the remaining outstanding debt. Once the county's debt is retired, the hospital association will regain title to the assets. The county's debt activity upon which the lease payments are determined was as follows for the year:

	Balance 7-1-05	Issued	Retired	Balance 6-30-06
Public Building Authority Loan (Series A-2-C)	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Public Building Authority Loan (Series VI-D-1) (1)	16,823,746	877,105	0	17,700,851
Hospital Revenue and Tax Refunding Bonds	690,000	0	0	690,000
<b>Total</b>	<b>\$ 27,513,746</b>	<b>\$ 877,105</b>	<b>\$ 0</b>	<b>\$ 28,390,851</b>

(1) Total authorized under this agreement was \$18,750,000, of which \$1,049,149 had not been drawn as of June 30, 2006.

Annual requirements on these debt issues are presented in Note IV.I. The amount of the lease receivable not expected to be received within one year is \$28,390,851.

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 362,779	\$ 0	\$ 0	\$ 362,779
Construction in Progress	216,299	55,751	(256,600)	15,450
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 579,078</b>	<b>\$ 55,751</b>	<b>\$ (256,600)</b>	<b>\$ 378,229</b>

**Governmental Activities (Cont.):**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,704,357	\$ 256,600	\$ 0	\$ 8,960,957
Roads and Bridges	15,723,980	62,488	0	15,786,468
Other Capital Assets	3,540,216	429,812	(6,484)	3,963,544
<b>Total Capital Assets Depreciated</b>	<b>\$ 27,968,553</b>	<b>\$ 748,900</b>	<b>\$ (6,484)</b>	<b>\$ 28,710,969</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,648,667	\$ 242,938	\$ 0	\$ 1,891,605
Roads and Bridges	4,871,811	122,136	0	4,993,947
Other Capital Assets	2,460,767	231,265	(6,484)	2,685,548
<b>Total Accumulated Depreciation</b>	<b>\$ 8,981,245</b>	<b>\$ 596,339</b>	<b>\$ (6,484)</b>	<b>\$ 9,571,100</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 18,987,308</b>	<b>\$ 152,561</b>	<b>\$ 0</b>	<b>\$ 19,139,869</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 19,566,386</b>	<b>\$ 208,312</b>	<b>\$ (256,600)</b>	<b>\$ 19,518,098</b>

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

**Governmental Activities:**

General Government	\$ 96,773
Administration of Justice	119,987
Public Safety	54,580
Public Health and Welfare	95,748
Social, Cultural, and Recreational Services	20,404
Highways/Public Works	<u>208,847</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 596,339</u></b>

Discretely Presented Hamblen County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets				
Not Depreciated:				
Land	\$ 2,530,735	\$ 0	\$ (2,435)	\$ 2,528,300
Construction in Progress	300,611	421,830	(300,611)	421,830
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 2,831,346</b>	<b>\$ 421,830</b>	<b>\$ (303,046)</b>	<b>\$ 2,950,130</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 118,914,284	\$ 599,844	\$ 0	\$ 119,514,128
Other Capital Assets	7,296,541	428,996	(184,852)	7,540,685
<b>Total Capital Assets Depreciated</b>	<b>\$ 126,210,825</b>	<b>\$ 1,028,840</b>	<b>\$ (184,852)</b>	<b>\$ 127,054,813</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 77,116,347	\$ 1,666,307	\$ 0	\$ 78,782,654
Other Capital Assets	4,446,729	565,901	(184,852)	4,827,778
<b>Total Accumulated Depreciation</b>	<b>\$ 81,563,076</b>	<b>\$ 2,232,208</b>	<b>\$ (184,852)</b>	<b>\$ 83,610,432</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 44,647,749</b>	<b>\$ (1,203,368)</b>	<b>\$ 0</b>	<b>\$ 43,444,381</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 47,479,095</b>	<b>\$ (781,538)</b>	<b>\$ (303,046)</b>	<b>\$ 46,394,511</b>

Depreciation expense totaling \$2,232,208 was charged by the discretely presented Hamblen County School Department.

**F. Construction Commitments**

Primary Government

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of approximately \$45,050 for architect fees on various projects. Funding has been received for these future expenditures.

Additionally, the Sanitation Projects Fund had uncompleted contracts of approximately \$63,369 for architect and engineering fees on closure of an old landfill site. Funding has been received for these future expenditures.

Discretely Presented Hamblen County School Department

At June 30, 2006, the General Purpose School Fund had uncompleted construction contracts of approximately \$514,935 for roofing and other building improvement projects. Funding has been received for these future expenditures.

**G. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 7,699
General	Agency	22,263
General Debt Service	General	90,000
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	231,482
Nonmajor governmental	General Purpose School	133,793

The balance of \$90,000 due to the General Debt Service Fund from the General Fund resulted from an advance to the General Fund for the installations of a telephone system. The amount of the interfund loan not expected to be received within one year is \$72,000.

The remaining 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: School Department	Primary Government: Hospital Debt Service	\$ 60,000

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In General Fund
Nonmajor governmental funds	\$ 119,694
Total	\$ 119,694

**Discretely Presented Hamblen County School Department**

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental funds	\$ 104,739
Total	\$ 104,739

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.

**H. Capital Lease**

On February 14, 2003, the discretely presented Hamblen County School Department entered into a seven-year lease-purchase agreement for heating and air equipment. The terms of the agreement require total lease payments of \$484,750 plus interest of 4.18 percent. Title to the equipment transfers to the Hamblen County School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ 80,413
2008	80,413
2009	80,413
2010	<u>57,472</u>
Total Minimum Lease Payments	\$ 298,711
Amount Representing Interest	<u>(23,886)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 274,825</u>

**I. Long-term Debt**

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to six years for bonds, up to seven 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. Bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from various funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2006, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-06</u>
Hospital Revenue and Tax Refunding Bonds	4 %	\$ 3,825,000	\$ 690,000
Capital Outlay Notes	2.09 to 3.97	2,162,725	1,352,834
Other Loans - Variable Rate	Variable	10,000,000	10,000,000
Other Loans - Fixed Rate	2 to 5	2,145,000	1,475,000
Other Loans - Synthetic Fixed Rate by Swap	Variable	58,750,000	57,700,851

In prior years, Hamblen County entered into loan agreements with the Sevier County Public Building Authority and Blount County Public Authority. These loan agreements provided for the authorities to make \$48,750,000 and \$22,145,000, respectively, available for loan to Hamblen County on an as-needed basis for various renovation and construction projects for the county and the discretely presented Hamblen County School Department. At June 30, 2006, Hamblen County had borrowed the entire amounts of Blount County Public Building Authority loans and Sevier County Public Building Authority loans except for the Sevier County Public Building Authority, Series VI-D-1. At June 30, 2006, \$17,700,851 of the approved Series VI-D-1 loan had been drawn. The balance of \$1,049,149 remains available for future draws under the loan agreement. In addition to interest, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2006, including interest rates and other fees:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
<u>Sevier County Public Building Authority</u>					
Various (Series III-A-3)	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	5.74%	0.43%
Various (Series III-D-2)	10,000,000	10,000,000	Synthetic Fixed by Swap	4.43	0.44
Various (Series IV-B-3)	10,000,000	10,000,000	Variable	3.91	0.47
Hospital (Series VI-D-1)	18,750,000	17,700,851	Synthetic Fixed by Swap	3.72	0.52
<u>Blount County Public Building Authority</u>					
Various (Series A-2-B)	10,000,000	10,000,000	Synthetic Fixed by Swap	4.46	0.45
Hospital (Series A-2-C)	10,000,000	10,000,000	Synthetic Fixed by Swap	3.67	0.5
Solid Waste Refunding (Series B-2-A)	2,145,000	<u>1,475,000</u>	Fixed	2 to 5	N/A
		<u>\$ 69,175,851</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2006, including interest payments, are presented in the following table. The amounts included for the Sevier County Public Building Authority, Series VI-D-1 loan do not include the \$1,049,149, which has not yet been drawn by the county.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 0	\$ 27,600	\$ 511,128	\$ 49,775
2008	690,000	27,600	475,039	29,927
2009	0	0	366,667	13,500
<b>Total</b>	<b>\$ 690,000</b>	<b>\$ 55,200</b>	<b>\$ 1,352,834</b>	<b>\$ 93,202</b>

Year Ending June 30	Other Loan - Series III-A-3 (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 574,000	\$ 43,000	\$ 617,000
2008	0	574,000	43,000	617,000
2009	0	574,000	43,000	617,000
2010	0	574,000	43,000	617,000
2011	0	574,000	43,000	617,000
2012-2016	0	2,870,000	215,000	3,085,000
2017-2019	10,000,000	1,201,095	89,978	11,291,073
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 6,941,095</b>	<b>\$ 519,978</b>	<b>\$ 17,461,073</b>

Year Ending June 30	Other Loan - Series III-D-2 (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 442,800	\$ 43,500	\$ 486,300
2008	0	442,800	43,500	486,300
2009	0	442,800	43,500	486,300
2010	0	442,800	43,500	486,300
2011	0	442,800	43,500	486,300
2012-2016	6,705,000	1,690,389	166,061	8,561,450
2017	3,295,000	15,055	1,479	3,311,534
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 3,919,444</b>	<b>\$ 385,040</b>	<b>\$ 14,304,484</b>

Other Loan - Series IV-B-3 (\$10,000,000)				
Year Ending	Principal	Interest	Other Fees	Total
June 30				
2007	\$ 0	\$ 391,000	\$ 47,000	\$ 438,000
2008	0	391,000	47,000	438,000
2009	1,815,000	391,000	47,000	2,253,000
2010	2,175,000	320,034	38,470	2,533,504
2011	2,290,000	234,991	28,247	2,553,238
2012-2013	3,720,000	196,673	23,641	3,940,314
Total	\$ 10,000,000	\$ 1,924,698	\$ 231,358	\$ 12,156,056

Other Loan - Series A-2-B (\$10,000,000)				
Year Ending	Principal	Interest	Other Fees	Total
June 30				
2007	\$ 0	\$ 445,700	\$ 45,000	\$ 490,700
2008	0	445,700	45,000	490,700
2009	0	445,700	45,000	490,700
2010	0	445,700	45,000	490,700
2011	0	445,700	45,000	490,700
2012-2016	0	2,228,500	225,000	2,453,500
2017-2021	2,980,000	2,163,874	218,475	5,362,349
2022-2025	7,020,000	803,375	81,113	7,904,488
Total	\$ 10,000,000	\$ 7,424,249	\$ 749,588	\$ 18,173,837

Other Loan - Series B-2-A (\$2,145,000)			
Year Ending	Principal	Interest	Total
June 30			
2007	\$ 230,000	\$ 48,400	\$ 278,400
2008	235,000	42,650	277,650
2009	240,000	35,600	275,600
2010	250,000	28,400	278,400
2011	255,000	20,900	275,900
2012	265,000	13,250	278,250
Total	\$ 1,475,000	\$ 189,200	\$ 1,664,200

Other Loan - Series A-2-C (\$10,000,000)				
Year Ending June 30	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 365,700	\$ 50,000	\$ 415,700
2008	0	365,700	50,000	415,700
2009	565,000	365,700	50,000	980,700
2010	595,000	345,037	47,175	987,212
2011	620,000	323,279	44,200	987,479
2012-2016	3,610,000	1,251,791	171,150	5,032,941
2017-2021	4,610,000	522,220	71,400	5,203,620
Total	\$ 10,000,000	\$ 3,539,427	\$ 483,925	\$ 14,023,352

Other Loan Series VI-D-1 (\$18,750,000)				
Year Ending June 30	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 657,941	\$ 91,876	\$ 749,817
2008	0	657,941	91,876	749,817
2009	175,000	657,941	91,876	924,817
2010	200,000	651,436	90,968	942,404
2011	200,000	644,002	89,930	933,932
2012-2016	1,150,000	3,101,995	433,168	4,685,163
2017-2021	1,500,000	2,863,177	399,819	4,762,996
2022-2026	7,775,000	2,142,079	299,124	10,216,203
2027-2030	6,700,851	580,908	81,119	7,362,878
Total	\$ 17,700,851	\$ 11,957,420	\$ 1,669,756	\$ 31,328,027

There is \$5,113,646 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$12, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$1,225, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series III-A-3.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series III-A-3 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 5.74 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable-rate bond associated to the swap. The swap has a notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-A-3. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2019. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.74%
Variable payment from counterparty		<u>-4.00%</u>
Net interest rate swap payments		1.74%
Variable-rate bond coupon payments		<u>4.00%</u>
 Synthetic interest rate on bonds		 <u><u>5.74%</u></u>

**Fair value.** As of June 30, 2006, the swap had a negative fair value of \$1,026,110. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** The variable interest payment the county receives from the counterparty is the same as the variable rate interest paid on the outstanding bonds associated to the swap. Therefore, there is no basis risk.

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2007	\$ 0	\$ 400,000	\$ 174,000	\$	574,000
2008	0	400,000	174,000		574,000
2009	0	400,000	174,000		574,000
2010	0	400,000	174,000		574,000
2011	0	400,000	174,000		574,000
2012-16	0	2,000,000	870,000		2,870,000
2017-19	10,000,000	837,000	364,095		11,201,095
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 4,837,000</b>	<b>\$ 2,104,095</b>	<b>\$</b>	<b>16,941,095</b>

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series III-D-2.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series III-D-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 4.265 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The swap has an outstanding notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-D-2. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2017. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.265%
Variable payment from counterparty	70% of LIBOR	<u>-3.837%</u>
Net interest rate swap payments		0.428%
Variable-rate bond coupon payments		<u>4.000%</u>
Synthetic interest rate on bonds		<u><u>4.428%</u></u>

**Fair value.** As of June 30, 2006, the swap had a negative fair value of \$208,910. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac

Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk should BMA increase to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2007	\$ 0	\$ 400,000	\$ 42,800	442,800
2008	0	400,000	42,800	442,800
2009	0	400,000	42,800	442,800
2010	0	400,000	42,800	442,800
2011	0	400,000	42,800	442,800
2012-16	9,660,000	1,527,000	163,389	11,350,389
2017	340,000	13,600	1,455	355,055
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 3,540,600</b>	<b>\$ 378,844</b>	<b>\$ 13,919,444</b>

Under its loan agreement, the Public Building Authority of Blount County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series A-2-B.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series A-2-B variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 4.39 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The swap has an outstanding notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series A-2-B bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2025. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.39%
Variable payment from counterparty	70% of LIBOR	<u>-3.84%</u>
Net interest rate swap payments		0.55%
Variable-rate bond coupon payments		<u>3.91%</u>
Synthetic interest rate on bonds		<u><u>4.46%</u></u>

**Fair value.** As of June 30, 2006, the swap had a negative fair value of \$645,638. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk should BMA increase to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2007	\$ 0	\$ 390,700	\$ 55,000		445,700
2008	0	390,700	55,000		445,700
2009	0	390,700	55,000		445,700
2010	0	390,700	55,000		445,700
2011	0	390,700	55,000		445,700
2012-16	0	1,953,500	275,000		2,228,500
2017-21	2,980,000	1,896,849	267,025		5,143,874
2022-25	7,020,000	704,237	99,138		7,823,375
Total	\$ 10,000,000	\$ 6,508,086	\$ 916,163		17,424,249

Under its loan agreement, the Public Building Authority of Blount County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series A-2-C.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into

an interest rate swap in connection with its \$10 million Series A-2-C variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 3.255 percent and receives a variable payment computed as 59 percent of the one-month London Interbank Offered Rate (LIBOR) plus .35 percent. The swap has an outstanding notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series A-2-C bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2021. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.26%
Variable payment from counterparty	59% of LIBOR + 0.35%	<u>-3.50%</u>
Net interest rate swap payments		-0.24%
Variable-rate bond coupon payments		<u>3.91%</u>
Synthetic interest rate on bonds		<u><u>3.67%</u></u>

**Fair value.** As of June 30, 2006, the swap had a positive fair value of \$153,664. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county's exposure to credit risk is equal to the amount of the derivative's fair value. However, if interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit. The swap counterparty had rating of Aa3/AA- at the time of the swap. If MKFP's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk should BMA increase to above 59 percent of LIBOR plus .35 percent, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59 percent of LIBOR plus .35 percent, then the synthetic rate on the bonds will decrease.

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination

events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2007	\$ 0	\$ 390,700	\$ (25,000)	\$ 365,700
2008	0	390,700	(25,000)	365,700
2009	565,000	390,700	(25,000)	930,700
2010	595,000	368,625	(23,588)	940,037
2011	620,000	345,379	(22,100)	943,279
2012-16	3,610,000	1,337,366	(85,575)	4,861,791
2017-21	4,610,000	557,920	(35,700)	5,132,220
Total	\$ 10,000,000	\$ 3,781,390	\$ (241,963)	\$ 13,539,427

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-D-1.

**Objective of the interest rate swap.** In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$18.75 million Series VI-D-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment and receives a variable payment computed as 59 percent of the one-month London Interbank Offered Rate (LIBOR) plus .35 percent. The swap has an outstanding notional amount of \$18.75 million, and the

associated variable-rate bond has a \$18.75 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-D-1 bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2030. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.31%
Variable payment from counterparty	59% of LIBOR + 0.35%	<u>-3.50%</u>
Net interest rate swap payments		<u>-0.19%</u>
Variable-rate bond coupon payments		<u>3.91%</u>
Synthetic interest rate on bonds		<u><u>3.72%</u></u>

**Fair value.** As of June 30, 2006, the swap had a positive fair value of \$435,479. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2006, the county's exposure to credit risk is equal to the amount of the derivative's fair value. However, if interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit. The swap counterparty had rating of Aa3/AA- at the time of the swap. If MKFP's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk should BMA increase to above 59 percent of LIBOR plus .35 percent, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59 percent of LIBOR plus .35 percent, then the synthetic rate on the bonds will decrease.

**Termination risk.** The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if

the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. Additionally, the requirements are based on the original issue amount, although \$1,049,149 had not been drawn by the county as of June 30, 2006. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2007	\$ 0	\$ 732,563	\$ (35,625)	\$ 696,938
2008	0	732,563	(35,625)	696,938
2009	175,000	732,563	(35,625)	871,938
2010	200,000	725,725	(35,293)	890,432
2011	200,000	717,911	(34,913)	882,998
2012-16	1,150,000	3,465,509	(168,530)	4,446,979
2017-21	1,500,000	3,214,484	(156,323)	4,558,161
2022-26	7,775,000	2,456,526	(119,463)	10,112,063
2027-30	7,750,000	774,563	(37,668)	8,486,895
Total	\$ 18,750,000	\$ 13,552,407	\$ (659,065)	\$ 31,643,342

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2005	\$ 1,920,000	\$ 428,058	\$ 68,523,746
Additions	0	1,100,000	877,105
Deductions	(1,230,000)	(175,224)	(225,000)
Balance, June 30, 2006	\$ 690,000	\$ 1,352,834	\$ 69,175,851
Balance Due Within One Year	\$ 0	\$ 511,128	\$ 230,000

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 71,218,685
Less: Balance Due Within One Year	(715,372)
Less: Deferred Amount on Refunding	<u>(25,756)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u><u>\$ 70,477,557</u></u>

Defeasance of Prior Debt

In prior years, Hamblen County defeased a portion of the Hospital Revenue and Tax Refunding Bonds, Series 2002 by placing proceeds from the Hospital Series VI-D-1 other loan into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trustee accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, \$670,000 of the Hospital Revenue and Tax Refunding Bonds, Series 2002 are considered defeased.

Discretely Presented Hamblen County School Department

Capital Outlay Notes

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of three years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2006, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-06</u>
Capital Outlay Notes	2.62 %	\$ 450,000	\$ 150,000

These capital outlay notes will be retired from the General Purpose School Fund.

The annual requirements to amortize all notes outstanding as of June 30, 2006, including interest, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2007	\$ 150,000	\$ 3,930
Total	\$ 150,000	\$ 3,930

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hamblen County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Notes	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 407,856	\$ 341,825	\$ 148,987
Additions	0	0	164,119
Deductions	(257,856)	(67,000)	(160,385)
Balance, June 30, 2006	\$ 150,000	\$ 274,825	\$ 152,721
Balance Due Within One Year	\$ 150,000	\$ 69,855	\$ 152,721

	Retirement Incentive	Retirement Honorarium
Balance, July 1, 2005	\$ 0	\$ 0
Additions	453,207	807,450
Deductions	(170,625)	(83,504)
Balance, June 30, 2006	\$ 282,582	\$ 723,946
Balance Due Within One Year	\$ 150,710	\$ 93,440

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 1,584,074
Less: Balance Due Within One Year	<u>(616,726)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 967,348</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects Funds.

**J. Short-term Debt**

Hamblen County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund (\$1,000,000). These notes were necessary because funds were not available to meet operating payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

It is the policy of Hamblen County and the discretely presented Hamblen County School Department to purchase commercial insurance for the risks of losses to which it is exposed. These risks included general liability, property, casualty, and workers' compensation. Additionally, it is the policy of Hamblen County to purchase commercial insurance for the risks of losses to which it is exposed for employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The discretely presented Hamblen County School Department joined the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the

Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Accounting Changes**

At the beginning of the year, Hamblen County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34, and GASB Statement No. 47, Accounting for Termination Benefits.

GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period.

GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Hamblen County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it

contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Hamblen County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

**C. Subsequent Events**

On July 26, 2006, Hamblen County issued a \$58,000 capital outlay note for the purchase of property.

On August 31, 2006, Otto Purkey left the Office of Sheriff and was succeeded by Esco Jarnigan.

On October 26, 2006, Hamblen County issued a \$475,000 capital outlay note on behalf of the discretely presented Hamblen County School Department for the purchase of school buses, special service school buses, and maintenance and drivers' education vehicles.

**D. Contingent Liabilities**

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

**E. Joint Ventures**

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.

The Hamblen County-Morristown Solid Waste Disposal System is a joint venture that is operated by Hamblen County and the City of Morristown. The Board of Directors of the system is comprised of eight members, three of whom are appointed by the Hamblen County Commission and three of whom are appointed by the Morristown City Council. The county mayor and city mayor appoint one member each. The board has control, supervision, management, and use of the landfills. Further, any and all real estate purchased is to be titled in the name of the City of Morristown and Hamblen County, each owning an undivided one-half interest, and each having agreed to equally finance the costs of such acquisitions. The board is required to

submit their annual budget to the Hamblen County Commission and the Morristown City Council for approval.

The Morristown-Hamblen Library is a joint venture between two equal participants, Hamblen County and the City of Morristown. The library was created to provide public library service to the general public. The Board of Directors consists of nine members; four appointed by the Hamblen County Commission, three appointed by the Morristown City Council, and two members from the regional library board. Hamblen County has indirect control of the budget through the amount of annual appropriations. The library's operating budget is adopted and controlled by its board without requiring approval of the Hamblen County Commission and the Morristown City Council.

The Hamblen County-Morristown Multi-Jurisdictional Crime Unit is a joint venture between Hamblen County and the City of Morristown. The joint venture is operated by a three-member board. The board includes the sheriff, chief of police, and one additional person that is appointed jointly by the sheriff and the chief of police. The board meets quarterly and appoints a supervisor over the unit every 12 months. The supervisor reviews all spending for the unit and submits financial reports for review by the board at all quarterly meetings.

Hamblen County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Third Judicial District Drug Task Force, Hamblen County-Morristown Solid Waste Disposal System, Morristown-Hamblen Library, and Hamblen County-Morristown Multi-Jurisdictional Crime Unit can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

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

Hamblen County-Morristown Solid Waste Disposal System  
P.O. Box 2108  
Morristown, TN 37816

Morristown-Hamblen Library  
417 West Main Street  
Morristown, TN 37814

Hamblen County-Morristown Multi-Jurisdictional Crime Unit  
510 Allison Street  
Morristown, TN 37814

**F. Jointly Governed Organization**

The East Tennessee Regional AgriBusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated (TCA) 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 mayor 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. The member counties do not have any ongoing financial interest or responsibility for the authority. 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 operations of the center.

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Hamblen County, Bristol City, Carter County, Cocke County, Elizabethton City, Greeneville City, Greene County, Hancock County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of TCA. 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 directors 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 has 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 of the members' 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 Educational 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 chairman, vice-chairman, secretary, treasurer, and a member-at-large from the Representative Committee.

## **G. Retirement Commitments**

### **Plan Description**

Employees of Hamblen 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 Hamblen 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](http://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**

Hamblen 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, 2006, was 6.6 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamblen County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Hamblen County's annual pension cost of \$875,449 to TCRS was equal to Hamblen 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. Hamblen 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, 2005, was 11 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-3-06	\$875,449	100%	\$0
6-30-05	839,683	100	0
6-30-04	600,969	100	0

### Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$32,118	\$32,819	\$1,701	94.82%	\$12,410	13.71%
6-30-03	28,036	29,925	1,889	93.69	11,839	15.96
6-30-01	25,399	27,528	2,129	92.27	10,995	19.36

## SCHOOL TEACHERS

### Plan Description

The Hamblen County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by

the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://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 Hamblen County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hamblen 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, 2006, 2005, and 2004, were 1,554,693, \$1,498,776, and \$897,830, respectively, equal to the required contributions for each year.

### **H. Other Post-employment Benefits**

In addition to the retirement commitments described above, the discretely presented Hamblen County School Department provides post-retirement health and life insurance benefits, in accordance with a resolution of the Hamblen County School Board, to employees who retire after attaining age 60 and/or with at least 30 years of service with at least 15 years of service with Hamblen County and/or the former Morristown City School Department

with the last seven years being continuous service. As of June 30, 2006, 180 retirees from the discretely presented Hamblen County School Department were participating in the program. The discretely presented Hamblen County School Department pays health and life insurance premiums for the qualifying retirees until age 65 with the option to continue dependant coverage at the retiree's expense. During the year, expenditures of \$570,833 and \$30,375 were recognized for post-employment health and life insurance premiums from the General Purpose School Fund and the Central Cafeteria Fund, respectively, for the discretely presented Hamblen County School Department. In addition, the discretely presented Hamblen County School Department provides post-retirement Medicare Supplement benefits for non-certified retirees who are covered by Medicare benefits, who are covered by a supplement offered by the Tennessee Consolidated Retirement System (TCRS), and who are drawing a monthly retirement allowance from TCRS, in accordance with a resolution of the Hamblen County Commission. The Hamblen County School Department provides Medicare Supplement benefits to non-certified retirees on a graduated scale, which is based on years of service with TCRS. During the year, expenditures of \$8,830 and \$5,040 were recognized in the General Purpose School Fund and the Central Cafeteria Fund, respectively.

#### **I. Termination Benefits**

The discretely presented Hamblen County School Department offers a voluntary termination benefits plan to its certified employees in accordance with contract provisions. To be eligible, employees must retire in the school year that they become 60 years of age or obtain 30 years of creditable service in the Tennessee Consolidated Retirement System, whichever comes first. Under the terms of the plan, employees can select between receiving \$4,500 for two years or \$3,500 for three years. Forty-one employees participated in the program during the 2005-06 year. The estimated cost of these cash payments, reported in the government-wide statement of net assets, is \$282,582. Of that amount, \$150,710 is due within one year. The governmental funds' financial statements reflect retirement incentive expenditures of \$158,500 in the General Purpose School Fund.

In addition to the previously mentioned retirement incentive, the discretely presented Hamblen County School Department also offers an additional retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service. Under the terms of the plan, employees receive \$100 for each year of service in the Hamblen County and/or the former Morristown City School System. As of June 30, 2006, 328 employees met the requirements of this benefit. The estimated cost of these cash payments, reported in the government-wide statement of net assets, is \$723,946. Of that amount, \$93,440 is due within one year. The governmental financial statements reflect retirement honorarium expenditures of \$77,570 in the General Purpose School Fund.

**J. Office of Central Accounting and Budgeting**

**Office of Director of Finance**

The Hamblen County Finance Department was established by an agreement between the county mayor and the County Commission. This agreement provides for a finance director who is responsible for maintaining records for funds administered by the county mayor and the road superintendent.

**K. Purchasing Laws**

**Office of County Mayor**

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). This act provides for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

**Office of Road Superintendent**

Chapter 313 of the Private Acts of 1949, as amended, and Section 54-7-113, TCA (Uniform Road Law), govern purchasing procedures for the Road Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**Office of Director of Schools**

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

**VI. OTHER NOTES – DISCRETELY PRESENTED HAMBLEN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Nature of the Organization**

The district was established by the county for the purpose of enhancing “911” and selective routing services under Tennessee Code Annotated Sections 7-86-101 through 7-86-117 “Emergency Communications District Law.” The district is a component unit of Hamblen County, Tennessee. It is managed by a ten-member Board of Directors appointed by the Hamblen County Commission for four-year terms. The district is fiscally dependent upon the county as it must obtain County Commission approval before the issuance of most debt, and the County Commission has the ability to adjust the district’s service charges.

**B. Significant Accounting Policies**

1. Basis of accounting – accrual. Revenue is recognized when earned, and expenses are recorded when incurred.
2. Fund type – proprietary.
3. For purposes of the statement of cash flows, the district considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.
4. Capital assets and depreciation:
  - a. Capital assets are recorded at cost. Buildings are depreciated 31.5 years, furniture and equipment over seven years, and communications equipment over five years.

b. Capital assets consist of:

	Balance 7-1-05	Additions	Balance 6-30-06	Accumulated Depreciation	Net Capital Assets
Building	\$ 281,245	\$ 0	\$ 281,245	\$ 59,080	\$ 222,165
Communication equipment	421,390	16,544	437,934	369,014	68,920
Furniture and fixtures	162,390	335	162,725	155,587	7,138
Automobile	16,837	0	16,837	16,837	0
<b>Total</b>	<b>\$ 881,862</b>	<b>\$ 16,879</b>	<b>\$ 898,741</b>	<b>\$ 600,518</b>	<b>\$ 298,223</b>

c. The straight-line method of depreciation is used, totaling \$37,629 for June 30, 2006. Accumulated depreciation was \$600,518 as of June 30, 2006.

5. The district has chosen not to follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989. The district follows Governmental Accounting Standards Board guidance after November 30, 1989.
6. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. The useful lives of the capital assets of the district are such an estimate.

**C. Deposits**

The carrying amount of the district's deposits with financial institutions was \$377,320, and the bank balance was \$377,343.

Custodial Credit Risk – Deposits - \$100,000 of the bank balance at June 30, 2006, was covered by federal depository insurance coverage with the remaining balance collateralized with securities held by the financial institution in the district's name.

**D. Contributions**

When the district was formed, the City of Morristown and Hamblen County, Tennessee, each verbally agreed to fund the salaries and benefits of four dispatchers since the district has absorbed these employees. The district bills the two entities monthly for these expenses.

**E. Concentration of Credit Risk**

The Hamblen County Emergency Communications District was established for the purpose of enhancing "911" and selective routing services in Hamblen County. All fees are collected through either Bell South who bills every telephone customer in Hamblen County or the State Department of Commerce and Insurance of Tennessee who remits ECB wireless revenue monthly.

**F. Compensated Absences**

1. Annual leave cannot be accumulated over 28 days or 336 hours.

Upon termination, employees are reimbursed for their accumulated annual leave. As of June 30, 2006, this liability is \$17,081 of which \$4,270 is estimated to be current.

2. Sick leave is accumulated at the rate of one day per month without limit. Sick leave may be used to allow an employee early retirement on a day for day basis.

**G. Pension Plan Information**

**Plan Description**

Employees of the Hamblen County Emergency Communications District 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 age 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 on or 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 the Hamblen County Emergency Communications District 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, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at [www.treasury.state.tn.us/tcrs/PS/](http://www.treasury.state.tn.us/tcrs/PS/).

### **Funding Policy**

The Hamblen County Emergency Communications District requires employees to contribute five percent of earnable compensation. The Hamblen County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 7.51 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Hamblen County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, the Hamblen County Emergency Communications District's annual pension cost of \$31,802 to TCRS was equal to the Hamblen County Emergency Communications District'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. The Hamblen County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 15 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$31,802	100%	\$0
6-30-05	27,926	100	0
6-30-04	15,084	100	0

**Schedule of Funding Progress**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
06-30-05	\$435	\$543	\$108	80.11%	\$349	30.95%
06-30-03	326	442	116	73.76	292	39.73
06-30-01	246	362	113	68.78	241	46.89

**H. Risk Management and Litigation**

The district is exposed to various risks of losses related to torts; theft of, damaged to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The district is insured through State Insurance Group as an ancillary to Hamblen County's insurance. There were no actual or potential claims against the district according to the county attorney; therefore, no provision has been made. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,850,678	\$ 0	\$ 0	\$ 6,850,678	\$ 6,597,999	\$ 6,597,999	\$ 252,679
Licenses and Permits	379,536	0	0	379,536	246,000	316,000	63,536
Fines, Forfeitures, and Penalties	253,927	0	0	253,927	204,100	204,100	49,827
Charges for Current Services	214,600	0	0	214,600	169,500	169,500	45,100
Other Local Revenues	61,196	0	0	61,196	75,800	77,863	(16,667)
Fees Received from County Officials	1,611,155	0	0	1,611,155	1,378,000	1,344,233	266,922
State of Tennessee	1,047,537	0	0	1,047,537	1,081,636	1,145,104	(97,567)
Federal Government	858,314	0	0	858,314	23,000	459,788	398,526
Other Governments and Citizens Groups	113,065	0	0	113,065	30,500	106,385	6,680
<b>Total Revenues</b>	<b>\$ 11,390,008</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,390,008</b>	<b>\$ 9,806,535</b>	<b>\$ 10,420,972</b>	<b>\$ 969,036</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 138,857	\$ (300)	\$ 0	\$ 138,557	\$ 140,306	\$ 141,078	\$ 2,521
Board of Equalization	1,225	0	0	1,225	1,525	1,525	300
County Mayor/Executive	125,526	0	0	125,526	125,788	125,788	262
County Attorney	121,801	0	0	121,801	76,293	126,293	4,492
Election Commission	173,172	(329)	3,195	176,038	211,194	211,249	35,211
Register of Deeds	82,743	0	2,066	84,809	90,684	90,684	5,875
Planning	241,191	(3,500)	0	237,691	230,045	255,113	17,422
Other Facilities	479,393	(28,922)	7,326	457,797	447,557	458,420	623
<u>Finance</u>							
Accounting and Budgeting	144,119	0	547	144,666	150,532	151,690	7,024
Purchasing	85,251	(169)	77	85,159	86,863	88,108	2,949
Property Assessor's Office	294,840	(1,189)	49	293,700	325,504	327,804	34,104
Reappraisal Program	110,875	0	1,330	112,205	120,117	120,597	8,392
County Trustee's Office	60,618	0	0	60,618	54,620	62,137	1,519

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 133,853	\$ (1,676)	\$ 1,035	\$ 133,212	\$ 131,482	\$ 135,694	\$ 2,482
Data Processing	32,504	0	95	32,599	37,500	37,500	4,901
Other Finance	31,294	(67)	0	31,227	37,010	37,010	5,783
<u>Administration of Justice</u>							
Circuit Court	470,513	(4,683)	9,083	474,913	487,485	487,485	12,572
General Sessions Court	253,753	(315)	0	253,438	256,804	256,838	3,400
Drug Court	74,296	(4,413)	7,150	77,033	133,337	133,837	56,804
Chancery Court	37,270	(45)	0	37,225	44,948	41,948	4,723
Juvenile Court	359,199	(181)	0	359,018	375,546	375,546	16,528
Probate Court	2,417	0	165	2,582	0	3,000	418
Probation Services	35,844	0	0	35,844	35,198	35,845	1
<u>Public Safety</u>							
Sheriff's Department	2,107,994	(63,869)	7,167	2,051,292	2,067,679	2,109,005	57,713
Wheel Tax Officer	8,002	0	0	8,002	7,960	8,510	508
Drug Enforcement	6,759	(110)	200	6,849	10,000	10,000	3,151
Administration of the Sexual Offender Registry	1,733	0	0	1,733	0	1,800	67
Jail	1,471,094	(2,981)	0	1,468,113	1,450,401	1,478,792	10,679
Workhouse	49,280	0	0	49,280	64,094	64,394	15,114
Work Release Program	80,077	0	0	80,077	80,222	81,791	1,714
Fire Prevention and Control	140,000	0	0	140,000	140,000	140,000	0
Civil Defense	67,240	(1,263)	676	66,653	71,640	71,640	4,987
Rescue Squad	141,436	0	0	141,436	141,436	141,436	0
Other Emergency Management	584,853	(326,385)	63,988	322,456	0	324,665	2,209
County Coroner/Medical Examiner	79,894	0	0	79,894	50,700	80,700	806
Other Public Safety	66,778	(60,333)	0	6,445	0	14,600	8,155

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare</u>							
Local Health Center	\$ 172,229	\$ 0	\$ 0	\$ 172,229	\$ 211,052	\$ 211,052	\$ 38,823
Rabies and Animal Control	127,400	0	0	127,400	127,400	127,400	0
Nursing Home	2,000	0	0	2,000	2,000	2,000	0
Crippled Children Services	6,242	0	0	6,242	6,242	6,242	0
Appropriation to State	110,500	0	0	110,500	110,500	110,500	0
Aid to Dependent Children	8,000	0	0	8,000	8,000	8,000	0
Child Support	14,883	0	0	14,883	15,000	15,000	117
Other Local Welfare Services	44,940	0	0	44,940	50,000	50,000	5,060
Sanitation Management	15,000	0	0	15,000	15,000	15,000	0
Other Public Health and Welfare	5,000	0	0	5,000	5,000	5,000	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	11,600	0	0	11,600	11,600	11,600	0
Senior Citizens Assistance	6,500	0	0	6,500	6,500	6,500	0
Libraries	218,500	0	0	218,500	218,500	218,500	0
Parks and Fair Boards	232,744	0	1,203	233,947	258,012	258,012	24,065
Other Social, Cultural, and Recreational	257,403	(4,095)	0	253,308	274,816	274,816	21,508
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	114,310	0	0	114,310	112,739	115,739	1,429
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	35,078	0	0	35,078	35,283	35,283	205
<u>Other Operations</u>							
Tourism	17,500	0	0	17,500	17,500	17,500	0
Industrial Development	40,000	0	0	40,000	40,000	40,000	0
Public Transportation	24,988	0	0	24,988	25,000	25,000	12
Veterans' Services	13,508	0	0	13,508	14,392	14,392	884
Other Charges	337,700	(7,920)	1,860	331,640	346,050	348,335	16,695

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Employee Benefits	\$ 504,694	\$ 0	\$ 0	\$ 504,694	\$ 707,703	\$ 582,112	\$ 77,418
<u>Capital Projects</u>							
General Administration Projects	0	0	202,777	202,777	0	238,427	35,650
Other General Government Projects	90,000	0	0	90,000	90,000	90,000	0
Total Expenditures	\$ 10,707,413	\$ (512,745)	\$ 309,989	\$ 10,504,657	\$ 10,393,759	\$ 11,059,932	\$ 555,275
Excess (Deficiency) of Revenues Over Expenditures	\$ 682,595	\$ 512,745	\$ (309,989)	\$ 885,351	\$ (587,224)	\$ (638,960)	\$ 1,524,311
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,000	\$ 90,000	\$ (90,000)
Insurance Recovery	15,062	0	0	15,062	5,000	9,241	5,821
Transfers In	119,694	0	0	119,694	33,557	33,557	86,137
Total Other Financing Sources (Uses)	\$ 134,756	\$ 0	\$ 0	\$ 134,756	\$ 128,557	\$ 132,798	\$ 1,958
Net Change in Fund Balance	\$ 817,351	\$ 512,745	\$ (309,989)	\$ 1,020,107	\$ (458,667)	\$ (506,162)	\$ 1,526,269
Fund Balance, July 1, 2005	997,612	(512,745)	0	484,867	1,643,476	1,643,476	(1,158,609)
Fund Balance, June 30, 2006	\$ 1,814,963	\$ 0	\$ (309,989)	\$ 1,504,974	\$ 1,184,809	\$ 1,137,314	\$ 367,660

Exhibit E-2

Hamblen 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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,833,442	\$ 0	\$ 0	\$ 1,833,442	\$ 1,737,635	\$ 1,737,635	\$ 95,807
Licenses and Permits	2,011	0	0	2,011	1,500	1,500	511
Other Local Revenues	69,313	0	0	69,313	10,000	10,000	59,313
State of Tennessee	526,537	0	0	526,537	506,000	506,000	20,537
Total Revenues	\$ 2,431,303	\$ 0	\$ 0	\$ 2,431,303	\$ 2,255,135	\$ 2,255,135	\$ 176,168
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 2,381,176	\$ (724,359)	\$ 1,912	\$ 1,658,729	\$ 1,993,631	\$ 2,048,005	\$ 389,276
Total Expenditures	\$ 2,381,176	\$ (724,359)	\$ 1,912	\$ 1,658,729	\$ 1,993,631	\$ 2,048,005	\$ 389,276
Excess (Deficiency) of Revenues Over Expenditures	\$ 50,127	\$ 724,359	\$ (1,912)	\$ 772,574	\$ 261,504	\$ 207,130	\$ 565,444
Net Change in Fund Balance	\$ 50,127	\$ 724,359	\$ (1,912)	\$ 772,574	\$ 261,504	\$ 207,130	\$ 565,444
Fund Balance, July 1, 2005	1,113,131	(724,359)	0	388,772	1,092,323	1,092,323	(703,551)
Fund Balance, June 30, 2006	\$ 1,163,258	\$ 0	\$ (1,912)	\$ 1,161,346	\$ 1,353,827	\$ 1,299,453	\$ (138,107)

**HAMBLLEN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Hamblen 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the Hamblen County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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Special Purpose Fund – The Special Purpose Fund is used to account for transactions relating to Cherokee Park.

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.

Highway/Public Works Fund – The Highway/Public Works Fund is used to account for transactions of the county's Highway Department.

## Debt Service Fund

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

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

# Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Sanitation Projects Fund – The Sanitation Projects Fund is used to account for transactions involving additional costs of an old landfill.

Exhibit F-1

Hamblen County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	Total	Special Debt Service	General Capital Projects	Sanitation Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 238,953	\$ 0	\$ 238,953	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238,953
Equity in Pooled Cash and Investments	90,474	0	208,885	299,359	20	715,217	166,811	882,028	1,181,407
Accounts Receivable	0	5,926	0	5,926	0	0	0	0	5,926
Due from Other Governments	0	0	288,700	288,700	0	0	0	0	288,700
Loan Receivable	0	0	0	0	1,474,980	0	0	0	1,474,980
<b>Total Assets</b>	<b>\$ 90,474</b>	<b>\$ 244,879</b>	<b>\$ 497,585</b>	<b>\$ 832,938</b>	<b>\$ 1,475,000</b>	<b>\$ 715,217</b>	<b>\$ 166,811</b>	<b>\$ 882,028</b>	<b>\$ 3,189,966</b>
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 1,608	\$ 0	\$ 12,589	\$ 14,197	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,197
Due to Other Funds	0	7,699	0	7,699	0	0	0	0	7,699
Other Deferred Revenues	0	0	149,333	149,333	0	0	0	0	149,333
<b>Total Liabilities</b>	<b>\$ 1,608</b>	<b>\$ 7,699</b>	<b>\$ 161,922</b>	<b>\$ 171,229</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 171,229</b>
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 780	\$ 0	\$ 524	\$ 1,304	\$ 0	\$ 45,050	\$ 63,369	\$ 108,419	\$ 109,723
Reserved for Loan Receivable	0	0	0	0	1,475,000	0	0	0	1,475,000
Reserved for Capital Outlay	0	0	0	0	0	548,500	103,442	651,942	651,942
Other Federal Reserves	21,061	0	0	21,061	0	0	0	0	21,061
Unreserved	67,025	237,180	335,139	639,344	0	121,667	0	121,667	761,011
<b>Total Fund Balances</b>	<b>\$ 88,866</b>	<b>\$ 237,180</b>	<b>\$ 335,663</b>	<b>\$ 661,709</b>	<b>\$ 1,475,000</b>	<b>\$ 715,217</b>	<b>\$ 166,811</b>	<b>\$ 882,028</b>	<b>\$ 3,018,737</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 90,474</b>	<b>\$ 244,879</b>	<b>\$ 497,585</b>	<b>\$ 832,938</b>	<b>\$ 1,475,000</b>	<b>\$ 715,217</b>	<b>\$ 166,811</b>	<b>\$ 882,028</b>	<b>\$ 3,189,966</b>

## Exhibit F-2

Hamblen County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds				
	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Total
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 1,600	\$ 1,600
Fines, Forfeitures, and Penalties	0	98,980	0	0	98,980
Charges for Current Services	0	0	1,173,541	0	1,173,541
Other Local Revenues	0	6,782	0	31,581	38,363
State of Tennessee	0	0	0	1,671,430	1,671,430
Federal Government	0	3,718	0	0	3,718
Total Revenues	\$ 0	\$ 109,480	\$ 1,173,541	\$ 1,704,611	\$ 2,987,632
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 198,839	\$ 0	\$ 198,839
Finance	0	0	795,972	0	795,972
Administration of Justice	0	0	174,966	0	174,966
Public Safety	0	67,611	118	0	67,729
Social, Cultural, and Recreational Services	42,729	0	0	0	42,729
Highways	0	0	0	1,892,719	1,892,719
Debt Service:					
Principal on Debt	0	0	0	0	0
Interest on Debt	0	0	0	0	0
Other Debt Service	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 42,729	\$ 67,611	\$ 1,169,895	\$ 1,892,719	\$ 3,172,954
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,729)	\$ 41,869	\$ 3,646	\$ (188,108)	\$ (185,322)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Insurance Recovery	0	0	0	8,034	8,034
Transfers Out	(85,215)	0	0	(34,479)	(119,694)
Total Other Financing Sources (Uses)	\$ (85,215)	\$ 0	\$ 0	\$ (26,445)	\$ (111,660)
Net Change in Fund Balances	\$ (127,944)	\$ 41,869	\$ 3,646	\$ (214,553)	\$ (296,982)
Fund Balance, July 1, 2005	127,944	46,997	233,534	550,216	958,691
Fund Balance, June 30, 2006	\$ 0	\$ 88,866	\$ 237,180	\$ 335,663	\$ 661,709

(Continued)

## Exhibit F-2

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

	Debt	Capital Projects Funds			Total Nonmajor Governmental Funds
	Service Fund	Special Debt Service	General Capital Projects	Sanitation Projects	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,600
Fines, Forfeitures, and Penalties	0	0	0	0	98,980
Charges for Current Services	0	0	0	0	1,173,541
Other Local Revenues	71,317	1,891	0	1,891	111,571
State of Tennessee	0	0	0	0	1,671,430
Federal Government	0	0	0	0	3,718
Total Revenues	\$ 71,317	\$ 1,891	\$ 0	\$ 1,891	\$ 3,060,840
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 198,839
Finance	0	0	0	0	795,972
Administration of Justice	0	0	0	0	174,966
Public Safety	0	0	0	0	67,729
Social, Cultural, and Recreational Services	0	0	0	0	42,729
Highways	0	0	0	0	1,892,719
Debt Service:					
Principal on Debt	225,000	0	0	0	225,000
Interest on Debt	52,900	0	0	0	52,900
Other Debt Service	608	0	0	0	608
Capital Projects	0	15,450	333,189	348,639	348,639
Total Expenditures	\$ 278,508	\$ 15,450	\$ 333,189	\$ 348,639	\$ 3,800,101
Excess (Deficiency) of Revenues Over Expenditures	\$ (207,191)	\$ (13,559)	\$ (333,189)	\$ (346,748)	\$ (739,261)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 600,000	\$ 500,000	\$ 1,100,000	\$ 1,100,000
Insurance Recovery	0	0	0	0	8,034
Transfers Out	0	0	0	0	(119,694)
Total Other Financing Sources (Uses)	\$ 0	\$ 600,000	\$ 500,000	\$ 1,100,000	\$ 988,340
Net Change in Fund Balances	\$ (207,191)	\$ 586,441	\$ 166,811	\$ 753,252	\$ 249,079
Fund Balance, July 1, 2005	1,682,191	128,776	0	128,776	2,769,658
Fund Balance, June 30, 2006	\$ 1,475,000	\$ 715,217	\$ 166,811	\$ 882,028	\$ 3,018,737

Exhibit F-3

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Special Purpose Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>						
<u>Social, Cultural, and Recreational Services</u>						
Parks and Fair Boards	\$ 42,729	\$ (42,729)	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	\$ 42,729	\$ (42,729)	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,729)	\$ 42,729	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (85,215)	\$ 0	\$ (85,215)	\$ 0	\$ (85,215)	\$ 0
Total Other Financing Sources (Uses)	\$ (85,215)	\$ 0	\$ (85,215)	\$ 0	\$ (85,215)	\$ 0
Net Change in Fund Balance	\$ (127,944)	\$ 42,729	\$ (85,215)	\$ 0	\$ (85,215)	\$ 0
Fund Balance, July 1, 2005	127,944	(42,729)	85,215	0	85,215	0
Fund Balance, June 30, 2006	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Exhibit F-4

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 98,980	\$ 0	\$ 0	\$ 98,980	\$ 16,500	\$ 51,500	\$ 47,480
Other Local Revenues	6,782	0	0	6,782	400	1,400	5,382
Federal Government	3,718	0	0	3,718	16,000	16,000	(12,282)
<b>Total Revenues</b>	<b>\$ 109,480</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 109,480</b>	<b>\$ 32,900</b>	<b>\$ 68,900</b>	<b>\$ 40,580</b>
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 67,611	\$ (1,785)	\$ 780	\$ 66,606	\$ 32,900	\$ 68,900	\$ 2,294
<b>Total Expenditures</b>	<b>\$ 67,611</b>	<b>\$ (1,785)</b>	<b>\$ 780</b>	<b>\$ 66,606</b>	<b>\$ 32,900</b>	<b>\$ 68,900</b>	<b>\$ 2,294</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 41,869</b>	<b>\$ 1,785</b>	<b>\$ (780)</b>	<b>\$ 42,874</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 42,874</b>
<b>Net Change in Fund Balance</b>	<b>\$ 41,869</b>	<b>\$ 1,785</b>	<b>\$ (780)</b>	<b>\$ 42,874</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 42,874</b>
Fund Balance, July 1, 2005	46,997	(1,785)	0	45,212	45,211	45,211	1
<b>Fund Balance, June 30, 2006</b>	<b>\$ 88,866</b>	<b>\$ 0</b>	<b>\$ (780)</b>	<b>\$ 88,086</b>	<b>\$ 45,211</b>	<b>\$ 45,211</b>	<b>\$ 42,875</b>

Exhibit F-5

Hamblen 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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,600	\$ 0	\$ 0	\$ 1,600	\$ 1,600	\$ 1,600	\$ 0
Other Local Revenues	31,581	0	0	31,581	17,500	17,500	14,081
State of Tennessee	1,671,430	0	0	1,671,430	1,842,560	1,842,560	(171,130)
<b>Total Revenues</b>	<b>\$ 1,704,611</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,704,611</b>	<b>\$ 1,861,660</b>	<b>\$ 1,861,660</b>	<b>\$ (157,049)</b>
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 307,472	\$ (89)	\$ 90	\$ 307,473	\$ 339,500	\$ 340,138	\$ 32,665
Highway and Bridge Maintenance	1,085,825	(55,309)	0	1,030,516	1,120,630	1,140,630	110,114
Operation and Maintenance of Equipment	268,568	(361)	434	268,641	274,209	287,209	18,568
Employee Benefits	59,864	0	0	59,864	84,404	73,766	13,902
Capital Outlay	170,990	(66,719)	0	104,271	281,395	258,345	154,074
<b>Total Expenditures</b>	<b>\$ 1,892,719</b>	<b>\$ (122,478)</b>	<b>\$ 524</b>	<b>\$ 1,770,765</b>	<b>\$ 2,100,138</b>	<b>\$ 2,100,088</b>	<b>\$ 329,323</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (188,108)	\$ 122,478	\$ (524)	\$ (66,154)	\$ (238,478)	\$ (238,428)	\$ 172,274
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 8,034	\$ 0	\$ 0	\$ 8,034	\$ 0	\$ 0	\$ 8,034
Transfers Out	(34,479)	0	0	(34,479)	(34,450)	(34,500)	21
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (26,445)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (26,445)</b>	<b>\$ (34,450)</b>	<b>\$ (34,500)</b>	<b>\$ 8,055</b>
Net Change in Fund Balance	\$ (214,553)	\$ 122,478	\$ (524)	\$ (92,599)	\$ (272,928)	\$ (272,928)	\$ 180,329
Fund Balance, July 1, 2005	550,216	(122,478)	0	427,738	427,740	427,740	(2)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 335,663</b>	<b>\$ 0</b>	<b>\$ (524)</b>	<b>\$ 335,139</b>	<b>\$ 154,812</b>	<b>\$ 154,812</b>	<b>\$ 180,327</b>

Exhibit F-6

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Special Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 71,317	\$ 278,150	\$ 278,150	\$ (206,833)
Total Revenues	\$ 71,317	\$ 278,150	\$ 278,150	\$ (206,833)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 225,000	\$ 225,000	\$ 225,000	\$ 0
<u>Interest on Debt</u>				
General Government	52,900	52,900	52,900	0
<u>Other Debt Service</u>				
General Government	608	0	609	1
Total Expenditures	\$ 278,508	\$ 277,900	\$ 278,509	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ (207,191)	\$ 250	\$ (359)	\$ (206,832)
Net Change in Fund Balance	\$ (207,191)	\$ 250	\$ (359)	\$ (206,832)
Fund Balance, July 1, 2005	1,682,191	1,810,803	1,810,803	(128,612)
Fund Balance, June 30, 2006	\$ 1,475,000	\$ 1,811,053	\$ 1,810,444	\$ (335,444)

# Major Governmental Funds

## Debt Service Funds

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

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

Hospital Debt Service Fund – The Hospital Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs issued for the benefit of the hospital. The hospital remits amounts sufficient to pay the requirements of this fund based on a lease with the county.

Exhibit G-1

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,848,114	\$ 2,785,220	\$ 2,785,220	\$ 62,894
Fines, Forfeitures, and Penalties	74,757	65,000	65,000	9,757
Other Local Revenues	865,556	444,444	444,444	421,112
Total Revenues	<u>\$ 3,788,427</u>	<u>\$ 3,294,664</u>	<u>\$ 3,294,664</u>	<u>\$ 493,763</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 38,891	\$ 38,892	\$ 38,892	\$ 1
Education	1,230,000	1,230,000	1,230,000	0
<u>Interest on Debt</u>				
General Government	243,988	270,732	273,232	29,244
Education	1,669,103	1,858,735	1,790,418	121,315
<u>Other Debt Service</u>				
General Government	62,197	0	65,000	2,803
Education	816	0	817	1
Total Expenditures	<u>\$ 3,244,995</u>	<u>\$ 3,398,359</u>	<u>\$ 3,398,359</u>	<u>\$ 153,364</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 543,432	\$ (103,695)	\$ (103,695)	\$ 647,127
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 100,000	\$ 100,000	\$ (100,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ (100,000)</u>
Net Change in Fund Balance	\$ 543,432	\$ (3,695)	\$ (3,695)	\$ 547,127
Fund Balance, July 1, 2005	4,600,912	4,365,328	4,365,328	235,584
Fund Balance, June 30, 2006	<u>\$ 5,144,344</u>	<u>\$ 4,361,633</u>	<u>\$ 4,361,633</u>	<u>\$ 782,711</u>

Exhibit G-2

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Hospital Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,209,351	\$ 1,470,100	\$ 1,470,100	\$ (260,749)
Total Revenues	\$ 1,209,351	\$ 1,470,100	\$ 1,470,100	\$ (260,749)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Public Health and Welfare	\$ 877,105	\$ 0	\$ 877,105	\$ 0
<u>Interest on Debt</u>				
General Government	1,060,259	1,464,100	1,464,100	403,841
<u>Other Debt Service</u>				
General Government	482	1,000	1,000	518
<u>Capital Projects</u>				
Social, Cultural, and Recreation Projects	2,500	0	2,500	0
Education Capital Projects	60,000	0	60,000	0
Total Expenditures	\$ 2,000,346	\$ 1,465,100	\$ 2,404,705	\$ 404,359
Excess (Deficiency) of Revenues Over Expenditures	\$ (790,995)	\$ 5,000	\$ (934,605)	\$ 143,610
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 877,105	\$ 0	\$ 877,105	\$ 0
Total Other Financing Sources (Uses)	\$ 877,105	\$ 0	\$ 877,105	\$ 0
Net Change in Fund Balance	\$ 86,110	\$ 5,000	\$ (57,500)	\$ 143,610
Fund Balance, July 1, 2005	319,700	319,700	319,700	0
Fund Balance, June 30, 2006	\$ 405,810	\$ 324,700	\$ 262,200	\$ 143,610

# Fiduciary Funds

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

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

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

Other Agency Fund – The Other Agency Fund is used to account for amounts remitted to the multi-jurisdictional crime unit.

Exhibit H-1

Hamblen County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>			Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,792,826	\$ 0	\$ 1,792,826
Equity in Pooled Cash and Investments	10,955	0	14,158	25,113
Due from Other Governments	1,626,688	0	0	1,626,688
Cash Shortage	0	26,464	0	26,464
Total Assets	<u>\$ 1,637,643</u>	<u>\$ 1,819,290</u>	<u>\$ 14,158</u>	<u>\$ 3,471,091</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 22,263	\$ 0	\$ 22,263
Due to Other Taxing Units	1,637,643	0	0	1,637,643
Due to Litigants, Heirs, and Others	0	1,797,027	0	1,797,027
Due to Joint Ventures	0	0	14,158	14,158
Total Liabilities	<u>\$ 1,637,643</u>	<u>\$ 1,819,290</u>	<u>\$ 14,158</u>	<u>\$ 3,471,091</u>

Exhibit H-2

Hamblen County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 16,397	\$ 9,596,586	\$ 9,602,028	\$ 10,955
Due From Other Governments	1,578,828	1,626,688	1,578,828	1,626,688
Total Assets	\$ 1,595,225	\$ 11,223,274	\$ 11,180,856	\$ 1,637,643
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,595,225	\$ 11,223,274	\$ 11,180,856	\$ 1,637,643
Total Liabilities	\$ 1,595,225	\$ 11,223,274	\$ 11,180,856	\$ 1,637,643
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,720,240	\$ 16,516,228	\$ 16,443,642	\$ 1,792,826
Prior Year Cash Shortage	28,907	0	2,443	26,464
Total Assets	\$ 1,749,147	\$ 16,516,228	\$ 16,446,085	\$ 1,819,290
<u>Liabilities</u>				
Due to Other Funds	\$ 10,368	\$ 22,263	\$ 10,368	\$ 22,263
Due to Litigants, Heirs, and Others	1,738,779	16,493,965	16,435,717	1,797,027
Total Liabilities	\$ 1,749,147	\$ 16,516,228	\$ 16,446,085	\$ 1,819,290
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 16,454	\$ 23,537	\$ 25,833	\$ 14,158
Total Assets	\$ 16,454	\$ 23,537	\$ 25,833	\$ 14,158
<u>Liabilities</u>				
Due to Joint Ventures	\$ 16,454	\$ 23,537	\$ 25,833	\$ 14,158
Total Liabilities	\$ 16,454	\$ 23,537	\$ 25,833	\$ 14,158
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,720,240	\$ 16,516,228	\$ 16,443,642	\$ 1,792,826
Equity in Pooled Cash and Investments	32,851	9,620,123	9,627,861	25,113
Due from Other Governments	1,578,828	1,626,688	1,578,828	1,626,688
Prior Year Cash Shortage	28,907	0	2,443	26,464
Total Assets	\$ 3,360,826	\$ 27,763,039	\$ 27,652,774	\$ 3,471,091

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds (Cont.)</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 10,368	\$ 22,263	\$ 10,368	\$ 22,263
Due to Other Taxing Units	1,595,225	11,223,274	11,180,856	1,637,643
Due to Litigants, Heirs, and Others	1,738,779	16,493,965	16,435,717	1,797,027
Due to Joint Ventures	16,454	23,537	25,833	14,158
Total Liabilities	<u>\$ 3,360,826</u>	<u>\$ 27,763,039</u>	<u>\$ 27,652,774</u>	<u>\$ 3,471,091</u>

# Hamblen County School Department

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This section presents combining and individual fund financial statements for the Hamblen County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, and one Capital Projects Fund.

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General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit I-1

Hamblen County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Hamblen County School Department  
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 5,575,269	\$ 656,625	\$ 6,231,894
Inventories	0	136,527	136,527
Accounts Receivable	0	151	151
Due from Other Governments	2,140,839	396,385	2,537,224
Due from Other Funds	231,482	133,793	365,275
Due from Primary Government	60,000	0	60,000
Property Taxes Receivable	14,335,603	0	14,335,603
Allowance for Uncollectible Property Taxes	(259,841)	0	(259,841)
<b>Total Assets</b>	<b>\$ 22,083,352</b>	<b>\$ 1,323,481</b>	<b>\$ 23,406,833</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 1,225,679	\$ 8,218	\$ 1,233,897
Accrued Payroll	0	6,403	6,403
Payroll Deductions Payable	147,979	21,047	169,026
Due to Other Funds	133,793	231,482	365,275
Deferred Revenue - Current Property Taxes	13,477,884	0	13,477,884
Deferred Revenue - Delinquent Property Taxes	541,181	0	541,181
Other Deferred Revenues	1,168,226	77,957	1,246,183
<b>Total Liabilities</b>	<b>\$ 16,694,742</b>	<b>\$ 345,107</b>	<b>\$ 17,039,849</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 756,000	\$ 106,781	\$ 862,781
Reserved for Inventory	0	136,527	136,527
Reserved for Career Ladder - Extended Contract	315,969	0	315,969
Reserved for Career Ladder Program	11,299	0	11,299
Reserved for Technology	64,268	0	64,268
Reserved for Title I Grants to Local Education Agencies	0	13,990	13,990
Other Federal Reserves	0	14,202	14,202
Unreserved, Reported In:			
General Fund	4,241,074	0	4,241,074
Special Revenue Funds	0	706,874	706,874
<b>Total Fund Balances</b>	<b>\$ 5,388,610</b>	<b>\$ 978,374</b>	<b>\$ 6,366,984</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,083,352</b>	<b>\$ 1,323,481</b>	<b>\$ 23,406,833</b>

Exhibit I-2

Hamblen County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Hamblen County School Department  
June 30, 2006

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

Total fund balances - balance sheet- governmental funds (Exhibit I-1)		\$	6,366,984
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,528,300	
Add: construction in progress		421,830	
Add: buildings and improvements net of accumulated depreciation		40,731,474	
Add: other capital assets net of accumulated depreciation		<u>2,712,907</u>	46,394,511
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			1,787,364
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	150,000	
Less: lease payable		274,825	
Less: compensated absences		152,721	
Less: retirement incentive		282,581	
Less: retirement honorarium		<u>723,946</u>	<u>(1,584,073)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>52,964,786</u></u>

Exhibit I-3

Hamblen County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 24,367,545	\$ 0	\$ 24,367,545
Charges for Current Services	576,241	1,781,273	2,357,514
Other Local Revenues	294,038	20,158	314,196
State of Tennessee	27,982,850	54,647	28,037,497
Federal Government	233,936	7,440,842	7,674,778
Total Revenues	<u>\$ 53,454,610</u>	<u>\$ 9,296,920</u>	<u>\$ 62,751,530</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 35,305,129	\$ 4,548,131	\$ 39,853,260
Support Services	15,350,740	745,334	16,096,074
Operation of Non-Instructional Services	603,661	3,779,374	4,383,035
Capital Outlay	950,990	0	950,990
Debt Service:			
Principal on Debt	324,856	0	324,856
Interest on Debt	24,440	0	24,440
Other Debt Service	200,000	0	200,000
Capital Projects	0	8,318	8,318
Total Expenditures	<u>\$ 52,759,816</u>	<u>\$ 9,081,157</u>	<u>\$ 61,840,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 694,794</u>	<u>\$ 215,763</u>	<u>\$ 910,557</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 22,102	\$ 0	\$ 22,102
Transfers In	104,739	0	104,739
Transfers Out	0	(104,739)	(104,739)
Total Other Financing Sources (Uses)	<u>\$ 126,841</u>	<u>\$ (104,739)</u>	<u>\$ 22,102</u>
Net Change in Fund Balances	\$ 821,635	\$ 111,024	\$ 932,659
Fund Balance, July 1, 2005	<u>4,566,975</u>	<u>867,350</u>	<u>5,434,325</u>
Fund Balance, June 30, 2006	<u>\$ 5,388,610</u>	<u>\$ 978,374</u>	<u>\$ 6,366,984</u>

Exhibit I-4

Hamblen County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit I-3)		\$	932,659
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,150,059	
Less: current year depreciation expense		<u>(2,232,208)</u>	(1,082,149)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Add: gain on disposal of capital assets	\$	17,547	
Less: proceeds received from disposal of capital assets		<u>(19,982)</u>	(2,435)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$	1,787,364	
Less: deferred delinquent property taxes/other deferred June 30, 2005		<u>(1,468,909)</u>	318,455
(4) The issuance of long-term debt (e.g., notes, lease) 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.			
Add: principal payment on notes	\$	257,856	
Add: principal payment on lease		<u>67,000</u>	324,856
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences	\$	(3,734)	
Change in retirement incentive		(282,581)	
Change in retirement honorarium		<u>(723,946)</u>	<u>(1,010,261)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (518,875)</u>

Exhibit I-5

Hamblen County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Hamblen County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 88,218	\$ 568,407	\$ 656,625
Inventories	0	136,527	136,527
Accounts Receivable	0	151	151
Due from Other Governments	233,545	162,840	396,385
Due from Other Funds	133,793	0	133,793
Total Assets	<u>\$ 455,556</u>	<u>\$ 867,925</u>	<u>\$ 1,323,481</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 7,182	\$ 1,036	\$ 8,218
Accrued Payroll	6,403	0	6,403
Payroll Deductions Payable	21,047	0	21,047
Due to Other Funds	231,482	0	231,482
Other Deferred Revenues	77,957	0	77,957
Total Liabilities	<u>\$ 344,071</u>	<u>\$ 1,036</u>	<u>\$ 345,107</u>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 106,781	\$ 0	\$ 106,781
Reserved for Inventory	0	136,527	136,527
Reserved for Title I Grants to Local Education Agencies	13,990	0	13,990
Other Federal Reserves	14,202	0	14,202
Unreserved (Deficit)	(23,488)	730,362	706,874
Total Fund Balances	<u>\$ 111,485</u>	<u>\$ 866,889</u>	<u>\$ 978,374</u>
Total Liabilities and Fund Balances	<u>\$ 455,556</u>	<u>\$ 867,925</u>	<u>\$ 1,323,481</u>

Exhibit I-6

Hamblen County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 1,781,273	\$ 1,781,273	\$ 0	\$ 1,781,273
Other Local Revenues	0	19,988	19,988	170	20,158
State of Tennessee	0	54,647	54,647	0	54,647
Federal Government	5,158,981	2,281,861	7,440,842	0	7,440,842
Total Revenues	\$ 5,158,981	\$ 4,137,769	\$ 9,296,750	\$ 170	\$ 9,296,920
<u>Expenditures</u>					
Current:					
Instruction	\$ 4,548,131	\$ 0	\$ 4,548,131	\$ 0	\$ 4,548,131
Support Services	702,599	42,735	745,334	0	745,334
Operation of Non-Instructional Services	0	3,779,374	3,779,374	0	3,779,374
Capital Projects	0	0	0	8,318	8,318
Total Expenditures	\$ 5,250,730	\$ 3,822,109	\$ 9,072,839	\$ 8,318	\$ 9,081,157
Excess (Deficiency) of Revenues Over Expenditures	\$ (91,749)	\$ 315,660	\$ 223,911	\$ (8,148)	\$ 215,763
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (104,739)	\$ 0	\$ (104,739)	\$ 0	\$ (104,739)
Total Other Financing Sources (Uses)	\$ (104,739)	\$ 0	\$ (104,739)	\$ 0	\$ (104,739)
Net Change in Fund Balances	\$ (196,488)	\$ 315,660	\$ 119,172	\$ (8,148)	\$ 111,024
Fund Balance, July 1, 2005	307,973	551,229	859,202	8,148	867,350
Fund Balance, June 30, 2006	\$ 111,485	\$ 866,889	\$ 978,374	\$ 0	\$ 978,374

Exhibit I-7

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Hamblen County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 24,367,545	\$ 0	\$ 0	\$ 24,367,545	\$ 23,703,752	\$ 23,703,752	\$ 663,793
Charges for Current Services	576,241	0	0	576,241	309,801	399,373	176,868
Other Local Revenues	294,038	0	0	294,038	16,000	371,243	(77,205)
State of Tennessee	27,982,850	0	0	27,982,850	28,433,157	28,633,562	(650,712)
Federal Government	233,936	0	0	233,936	229,365	255,847	(21,911)
<b>Total Revenues</b>	<b>\$ 53,454,610</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 53,454,610</b>	<b>\$ 52,692,075</b>	<b>\$ 53,363,777</b>	<b>\$ 90,833</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 28,030,984	\$ (61,218)	\$ 39,176	\$ 28,008,942	\$ 29,184,384	\$ 29,152,905	\$ 1,143,963
Special Education Program	4,543,287	(3,808)	350	4,539,829	4,647,703	4,644,703	104,874
Vocational Education Program	2,570,252	(12,776)	34,553	2,592,029	2,695,894	2,709,094	117,065
Student Body Education Program	45,284	0	0	45,284	45,400	45,400	116
Adult Education Program	115,322	(7,897)	3,537	110,962	148,429	148,429	37,467
<u>Support Services</u>							
Attendance	28,279	0	0	28,279	28,321	28,321	42
Health Services	29,241	(395)	2,243	31,089	33,769	33,769	2,680
Other Student Support	830,751	0	0	830,751	921,997	921,997	91,246
Regular Instruction Program	242,801	(5,291)	3,003	240,513	253,113	259,996	19,483
Special Education Program	207,400	(453)	2,106	209,053	238,109	241,109	32,056
Vocational Education Program	116,425	0	0	116,425	117,006	117,006	581
Adult Programs	67,091	(1,018)	0	66,073	74,508	74,508	8,435
Board of Education	975,727	(440)	0	975,287	1,010,652	1,012,027	36,740
Director of Schools	484,420	(52)	26	484,394	484,761	484,761	367
Office of the Principal	3,038,707	0	0	3,038,707	3,083,916	3,075,916	37,209
Fiscal Services	847,774	(3,497)	0	844,277	907,853	901,152	56,875

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 4,394,511	\$ (8,481)	\$ 0	\$ 4,386,030	\$ 4,501,470	\$ 4,501,470	\$ 115,440
Maintenance of Plant	1,216,011	(49,561)	8,765	1,175,215	1,174,911	1,176,611	1,396
Transportation	2,088,714	(157,543)	468	1,931,639	2,193,939	2,095,842	164,203
Central and Other	782,888	(18,613)	138,037	902,312	824,777	977,423	75,111
<u>Operation of Non-Instructional Services</u>							
Community Services	321,504	(214)	4,267	325,557	258,959	325,559	2
Early Childhood Education	282,157	0	0	282,157	0	312,486	30,329
<u>Capital Outlay</u>							
Regular Capital Outlay	950,990	(282,900)	519,469	1,187,559	796,215	1,251,003	63,444
<u>Principal on Debt</u>							
Education	324,856	0	0	324,856	0	324,856	0
<u>Interest on Debt</u>							
Education	24,440	0	0	24,440	0	24,440	0
<u>Other Debt Service</u>							
Education	200,000	0	0	200,000	0	200,000	0
Total Expenditures	\$ 52,759,816	\$ (614,157)	\$ 756,000	\$ 52,901,659	\$ 53,626,086	\$ 55,040,783	\$ 2,139,124
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 694,794	\$ 614,157	\$ (756,000)	\$ 552,951	\$ (934,011)	\$ (1,677,006)	\$ 2,229,957
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 22,102	\$ 0	\$ 0	\$ 22,102	\$ 75,076	\$ 58,725	\$ (36,623)
Transfers In	104,739	0	0	104,739	47,568	47,568	57,171
Transfers Out	0	0	0	0	(28,244)	(28,244)	28,244
Total Other Financing Sources (Uses)	\$ 126,841	\$ 0	\$ 0	\$ 126,841	\$ 94,400	\$ 78,049	\$ 48,792
Net Change in Fund Balance	\$ 821,635	\$ 614,157	\$ (756,000)	\$ 679,792	\$ (839,611)	\$ (1,598,957)	\$ 2,278,749
Fund Balance, July 1, 2005	4,566,975	(614,157)	0	3,952,818	1,598,957	1,598,957	2,353,861
Fund Balance, June 30, 2006	\$ 5,388,610	\$ 0	\$ (756,000)	\$ 4,632,610	\$ 759,346	\$ 0	\$ 4,632,610

Exhibit I-8

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Hamblen County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 5,158,981	\$ 0	\$ 0	\$ 5,158,981	\$ 5,540,080	\$ 5,555,563	\$ (396,582)
Total Revenues	\$ 5,158,981	\$ 0	\$ 0	\$ 5,158,981	\$ 5,540,080	\$ 5,555,563	\$ (396,582)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 2,397,370	\$ (12,271)	\$ 24,505	\$ 2,409,604	\$ 2,477,054	\$ 2,497,336	\$ 87,732
Special Education Program	1,977,891	0	79	1,977,970	2,021,783	1,995,969	17,999
Vocational Education Program	172,870	(34,093)	67,255	206,032	203,901	205,696	(336)
<u>Support Services</u>							
Health Services	197,345	0	252	197,597	167,514	199,655	2,058
Other Student Support	68,351	(8,029)	6,971	67,293	45,782	78,127	10,834
Regular Instruction Program	293,484	(140)	7,041	300,385	274,485	314,503	14,118
Special Education Program	35,395	(620)	678	35,453	25,962	41,962	6,509
Vocational Education Program	2,498	0	0	2,498	4,000	2,578	80
Board of Education	6,617	0	0	6,617	5,854	5,647	(970)
Transportation	98,909	(64,753)	0	34,156	100,572	109,016	74,860
Total Expenditures	\$ 5,250,730	\$ (119,906)	\$ 106,781	\$ 5,237,605	\$ 5,326,907	\$ 5,450,489	\$ 212,884
Excess (Deficiency) of Revenues Over Expenditures	\$ (91,749)	\$ 119,906	\$ (106,781)	\$ (78,624)	\$ 213,173	\$ 105,074	\$ (183,698)
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (104,739)	\$ 0	\$ 0	\$ (104,739)	\$ (213,173)	\$ (105,074)	\$ 335
Total Other Financing Sources (Uses)	\$ (104,739)	\$ 0	\$ 0	\$ (104,739)	\$ (213,173)	\$ (105,074)	\$ 335
Net Change in Fund Balance	\$ (196,488)	\$ 119,906	\$ (106,781)	\$ (183,363)	\$ 0	\$ 0	\$ (183,363)
Fund Balance, July 1, 2005	307,973	(119,906)	0	188,067	0	0	188,067
Fund Balance, June 30, 2006	\$ 111,485	\$ 0	\$ (106,781)	\$ 4,704	\$ 0	\$ 0	\$ 4,704

Exhibit I-9

Hamblen County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Hamblen County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,781,273	\$ 1,759,653	\$ 1,759,653	\$ 21,620
Other Local Revenues	19,988	5,700	5,700	14,288
State of Tennessee	54,647	54,047	54,047	600
Federal Government	2,281,861	1,991,427	1,991,427	290,434
Total Revenues	<u>\$ 4,137,769</u>	<u>\$ 3,810,827</u>	<u>\$ 3,810,827</u>	<u>\$ 326,942</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 42,735	\$ 43,212	\$ 43,212	\$ 477
<u>Operation of Non-Instructional Services</u>				
Food Service	3,779,374	4,099,521	4,099,521	320,147
Total Expenditures	<u>\$ 3,822,109</u>	<u>\$ 4,142,733</u>	<u>\$ 4,142,733</u>	<u>\$ 320,624</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 315,660</u>	<u>\$ (331,906)</u>	<u>\$ (331,906)</u>	<u>\$ 647,566</u>
Net Change in Fund Balance	\$ 315,660	\$ (331,906)	\$ (331,906)	\$ 647,566
Fund Balance, July 1, 2005	<u>551,229</u>	<u>331,906</u>	<u>331,906</u>	<u>219,323</u>
Fund Balance, June 30, 2006	<u>\$ 866,889</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 866,889</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Hamblen County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Lease, and Bonds  
Primary Government and Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
Sheriff Patrol Fleet	\$ 400,000	2.74 %	6-30-04	6-30-08	\$ 300,000	\$ 0	\$ 100,000	\$ 200,000
Total Payable through General Fund					\$ 300,000	\$ 0	\$ 100,000	\$ 200,000
<u>Payable through Solid Waste/Sanitation Fund</u>								
Garbage Truck	109,000	2.09	3-26-04	4-1-07	\$ 72,667	\$ 0	\$ 36,333	\$ 36,334
Neblitt Landfill Site Capital Outlay Note, Series 2005	(1)	3.27	9-23-05	9-23-08	0	500,000	0	500,000
Total Payable through Solid Waste/Sanitation Fund					\$ 72,667	\$ 500,000	\$ 36,333	\$ 536,334
<u>Payable through General Debt Service Fund</u>								
Energy Loan	53,725	3	2-28-01	2-29-08	\$ 24,391	\$ 0	\$ 7,891	\$ 16,500
VFD Remote Repeater	31,000	3.64	6-30-05	12-30-06	31,000	0	31,000	0
Jail Annex Second Floor Completion	600,000	3.97	3-24-06	3-24-09	0	600,000	0	600,000
Total Payable through General Debt Service Fund					\$ 55,391	\$ 600,000	\$ 38,891	\$ 616,500
Total Notes Payable					\$ 428,058	\$ 1,100,000	\$ 175,224	\$ 1,352,834
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Various Purposes (Series III-A-3)	10,000,000	Variable (2)	3-19-1998	6-1-19	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Various Purposes (Series III-D-2)	10,000,000	Variable (2)	1-1-1999	6-1-17	10,000,000	0	0	10,000,000
Various Purposes (Series IV-B-3)	10,000,000	Variable	1-1-00	6-1-13	10,000,000	0	0	10,000,000
Various Purposes (Series A-2-B)	10,000,000	Variable (2)	6-1-01	6-1-25	10,000,000	0	0	10,000,000
Total Payable through General Debt Service Fund					\$ 40,000,000	\$ 0	\$ 0	\$ 40,000,000

(Continued)

Exhibit J-1

Hamblen County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Lease, and Bonds  
Primary Government and Discretely Presented Hamblen County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>PRIMARY GOVERNMENT (Cont.)</u>								
<u>OTHER LOANS PAYABLE (Cont.)</u>								
<u>Payable through Special Debt Service Fund</u>								
Solid Waste (Series B-2-A)	\$ 2,145,000	2 to 5 %	6-30-03	6-1-12	\$ 1,700,000	\$ 0	\$ 225,000	\$ 1,475,000
Total Payable through Special Debt Service Fund					\$ 1,700,000	\$ 0	\$ 225,000	\$ 1,475,000
<u>Payable through Hospital Debt Service Fund</u>								
Hospital (Series A-2-C)	10,000,000	Variable (4)	6-1-00	6-1-21	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Hospital (Series VI-D-1)	(3)	Variable (4)	12-1-04	6-1-30	16,823,746	877,105	0	17,700,851
Total Payable through Hospital Debt Service Fund					\$ 26,823,746	\$ 877,105	\$ 0	\$ 27,700,851
Total Other Loans Payable					\$ 68,523,746	\$ 877,105	\$ 225,000	\$ 69,175,851
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 1996	8,795,000	3.5 to 4.45	2-1-1996	4-1-06	\$ 1,230,000	\$ 0	\$ 1,230,000	\$ 0
Total Payable through General Debt Service Fund					\$ 1,230,000	\$ 0	\$ 1,230,000	\$ 0
<u>Payable through Hospital Debt Service Fund</u>								
Hospital Revenue and Tax Refunding Bonds, Series 2002	3,825,000	4	3-12-02	5-1-08	\$ 690,000	\$ 0	\$ 0	\$ 690,000
Total Payable through Hospital Debt Service Fund					\$ 690,000	\$ 0	\$ 0	\$ 690,000
Total Bonds Payable					\$ 1,920,000	\$ 0	\$ 1,230,000	\$ 690,000

(Continued)

Exhibit J-1

Hamblen County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Lease, and Bonds  
Primary Government and Discretely Presented Hamblen County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>DISCRETELY PRESENTED HAMBLEN COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Buses 2002	\$ 323,566	2.75 %	6-30-03	6-30-06	\$ 107,856	\$ 0	\$ 107,856	\$ 0
School Buses 2004	450,000	2.62	8-3-04	6-30-07	300,000	0	150,000	150,000
Total Payable through General Purpose School Fund					<u>\$ 407,856</u>	<u>\$ 0</u>	<u>\$ 257,856</u>	<u>\$ 150,000</u>
Total Notes Payable					<u>\$ 407,856</u>	<u>\$ 0</u>	<u>\$ 257,856</u>	<u>\$ 150,000</u>
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
HVAC System	484,750	4.18	2-14-03	4-1-10	\$ 341,825	\$ 0	\$ 67,000	\$ 274,825
Total Capital Lease Payable					<u>\$ 341,825</u>	<u>\$ 0</u>	<u>\$ 67,000</u>	<u>\$ 274,825</u>

- (1) Total amount approved was \$1,000,000, of which \$500,000 remains available for draws as of June 30, 2006.
- (2) These issues were swapped to a synthetic fixed rate by execution of swap agreements during the year ended June 30, 2002.
- (3) Total amount approved was \$18,750,000, of which \$1,049,149 remains available for draws as of June 30, 2006.
- (4) These issues were swapped to a synthetic fixed rate by execution of swap agreements during the year ended June 30, 2006.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 0	\$ 27,600	\$ 27,600
2008	690,000	27,600	717,600
Total	<u>\$ 690,000</u>	<u>\$ 55,200</u>	<u>\$ 745,200</u>

Exhibit J-3

Hamblen County, Tennessee  
Schedule of Notes Receivable  
June 30, 2006

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>General Debt Service Fund</u> Capital Outlay Note	Jefferson Federal Savings and Loan and Lakeway Publishers, Inc.	\$ 175,000	12-26-02	9-1-12	0%	<u>\$ 116,668</u>
Total Notes Receivable						<u><u>\$ 116,668</u></u>

Exhibit J-4

Hamblen County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Special Purpose	General	To close fund	\$ 85,215
Highway/Public Works	General	To reimburse fund for salaries	<u>34,479</u>
Total Transfers Primary Government			<u>\$ 119,694</u>
<u>Discretely Presented Hamblen County</u> <u>School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 104,739</u>

Exhibit J-5

Hamblen County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 73,765	\$ 50,000	Cincinnati Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	67,152	100,000	United States Fidelity and Guaranty Company
Director of Schools	State Board of Education and County Board of Education	101,210 (1)	100,000	Cincinnati Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	61,048	1,623,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,048	10,000	"
Finance Director	County Commission	45,416	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,048	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	61,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,048	50,000	United States Fidelity and Guaranty Company
Register	Section 8-24-102, <u>TCA</u>	61,048	50,000	Cincinnati Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	70,253 (2)	25,000	"
<b>Employee Blanket Bonds</b>				
Public Employee Dishonesty - County Departments			250,000	St. Paul Fire and Marine Insurance Company
Public Employee Dishonesty - School Department			100,000	RLI Insurance Company

(1) Includes chief executive officer training supplement of \$2,000.  
(2) Includes \$518 law enforcement training supplement and \$2,582 supplement as workhouse superintendent.

Exhibit J-6

Hamblen County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,778,173	\$ 1,092,714	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	169,090	25,789	0	0	0
Trustee's Collections - Bankruptcy	750	201	0	0	0
Circuit/Clerk & Master Collections - Prior Years	41,440	12,097	0	0	0
Interest and Penalty	42,499	9,431	0	0	0
Pick-up Taxes	830	491	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	538	307	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	45,021	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	588,484	0	0	0
Hotel/Motel Tax	8,052	0	0	0	0
Wheel Tax	789,160	0	0	0	0
Litigation Tax - General	160,377	0	0	0	0
Litigation Tax - Special Purpose	87,627	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	721,470	0	0	0	1,600
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	0
Wholesale Beer Tax	0	103,928	0	0	0
Interstate Telecommunications Tax	5,651	0	0	0	0
Total Local Taxes	<u>\$ 6,850,678</u>	<u>\$ 1,833,442</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,600</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 5,975	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	165,144	0	0	0	0
<u>Permits</u>					
Beer Permits	0	2,011	0	0	0
Building Permits	208,417	0	0	0	0
Total Licenses and Permits	<u>\$ 379,536</u>	<u>\$ 2,011</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit J-6

Hamblen 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</u>					
<u>Circuit Court</u>					
Fines	\$ 4,094	\$ 0	\$ 0	\$ 0	0
Officers Costs	9,670	0	0	0	0
Drug Control Fines	1,176	0	0	0	0
Drug Court Fees	1,648	0	0	0	0
Jail Fees	760	0	0	0	0
DUI Treatment Fines	3,049	0	0	0	0
Data Entry Fee - Circuit Court	741	0	0	0	0
<u>Criminal Court</u>					
Drug Control Fines	0	0	1,404	0	0
<u>General Sessions Court</u>					
Fines	50,193	0	0	0	0
Fines for Littering	190	0	0	0	0
Officers Costs	81,531	0	0	0	0
Game and Fish Fines	455	0	0	0	0
Drug Control Fines	16,388	0	15,086	0	0
Drug Court Fees	14,780	0	0	0	0
Jail Fees	26,005	0	0	0	0
Interpreter Fees	119	0	0	0	0
DUI Treatment Fines	13,046	0	0	0	0
Data Entry Fee - General Sessions Court	23,797	0	0	0	0
Courtroom Security Fee	190	0	0	0	0
<u>Juvenile Court</u>					
Fines	3,889	0	0	0	0
Courtroom Security Fee	101	0	0	0	0
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	1,447	0	0	0	0
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	658	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	82,490	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 253,927</b>	<b>\$ 0</b>	<b>\$ 98,980</b>	<b>\$ 0</b>	<b>0</b>

(Continued)

Exhibit J-6

Hamblen 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>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 54,993	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	33,344	0	0	0	0
Other General Service Charges	525	0	0	0	0
<u>Fees</u>					
Recreation Fees	25,981	0	0	0	0
Copy Fees	11,652	0	0	0	0
Telephone Commissions	57,470	0	0	0	0
Vending Machine Collections	303	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	1,173,541	0
Data Processing Fee - Register	28,412	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,920	0	0	0	0
Total Charges for Current Services	<u>\$ 214,600</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,173,541</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 51,900	\$ 2,998	\$ 0	\$ 14,830
Lease/Rentals	29,461	0	0	0	720
Sale of Materials and Supplies	0	15,800	0	0	1,008
Sale of Maps	2,094	0	0	0	0
Retirees' Insurance Payments	4,403	0	0	0	0
Miscellaneous Refunds	24,388	1,613	3,284	0	7,180
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	500	0	7,843
Damages Recovered from Individuals	100	0	0	0	0
Contributions & Gifts	750	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	0
Total Other Local Revenues	<u>\$ 61,196</u>	<u>\$ 69,313</u>	<u>\$ 6,782</u>	<u>\$ 0</u>	<u>\$ 31,581</u>
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 216,504	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

Hamblen 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>Fees Received from County Officials (Cont.)</u>					
<u>Excess Fees (Cont.)</u>					
Register	\$ 198,010	\$ 0	\$ 0	\$ 0	0
Trustee	648,652	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	154,773	0	0	0	0
General Sessions Court Clerk	369,576	0	0	0	0
Sheriff	23,640	0	0	0	0
Total Fees Received from County Officials	<u>\$ 1,611,155</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 25,096	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	17,916	0	0	0	0
Solid Waste Grants	42,813	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	15,561	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	121,357	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	71,148	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	96,557	0	0	0	0
Beer Tax	0	17,212	0	0	0
Alcoholic Beverage Tax	52,775	0	0	0	0
State Revenue Sharing - T.V.A.	38,336	509,325	0	0	0
Contracted Prisoner Boarding	549,598	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,624,670
Petroleum Special Tax	0	0	0	0	46,760
Registrar's Salary Supplement	16,380	0	0	0	0
Total State of Tennessee	<u>\$ 1,047,537</u>	<u>\$ 526,537</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,671,430</u>

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>				
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 10,494	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	727,897	0	0	0	0
Other Federal through State	112,123	0	0	0	0
<u>Direct Federal Revenue</u>					
Asset Forfeiture Funds	0	0	3,718	0	0
Other Direct Federal Revenue	7,800	0	0	0	0
Total Federal Government	<u>\$ 858,314</u>	<u>\$ 0</u>	<u>\$ 3,718</u>	<u>\$ 0</u>	<u>0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 1,070	\$ 0	\$ 0	\$ 0	0
Contracted Services	91,803	0	0	0	0
<u>Citizens Groups</u>					
Donations	20,192	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 113,065</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 11,390,008</u>	<u>\$ 2,431,303</u>	<u>\$ 109,480</u>	<u>\$ 1,173,541</u>	<u>\$ 1,704,611</u>

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,606,276	\$ 0	\$ 0	\$ 0	\$ 8,477,163
Trustee's Collections - Prior Year	92,561	0	0	0	287,440
Trustee's Collections - Bankruptcy	413	0	0	0	1,364
Circuit/Clerk & Master Collections - Prior Years	22,834	0	0	0	76,371
Interest and Penalty	23,630	0	0	0	75,560
Pick-up Taxes	453	0	0	0	1,774
Payments in-Lieu-of Taxes - T.V.A.	282	0	0	0	1,127
Payments in-Lieu-of Taxes - Local Utilities	24,218	0	0	0	69,239
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	588,484
Hotel/Motel Tax	0	0	0	0	8,052
Wheel Tax	0	0	0	0	789,160
Litigation Tax - General	0	0	0	0	160,377
Litigation Tax - Special Purpose	0	0	0	0	87,627
Litigation Tax - Jail, Workhouse, or Courthouse	56,002	0	0	0	56,002
Business Tax	0	0	0	0	723,070
<u>Statutory Local Taxes</u>					
Bank Excise Tax	21,445	0	0	0	21,445
Wholesale Beer Tax	0	0	0	0	103,928
Interstate Telecommunications Tax	0	0	0	0	5,651
Total Local Taxes	\$ 2,848,114	\$ 0	\$ 0	\$ 0	\$ 11,533,834
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,975
Cable TV Franchise	0	0	0	0	165,144
<u>Permits</u>					
Beer Permits	0	0	0	0	2,011
Building Permits	0	0	0	0	208,417
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 381,547

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	4,094
Officers Costs	0	0	0	0	9,670
Drug Control Fines	0	0	0	0	1,176
Drug Court Fees	0	0	0	0	1,648
Jail Fees	3,050	0	0	0	3,810
DUI Treatment Fines	0	0	0	0	3,049
Data Entry Fee - Circuit Court	0	0	0	0	741
<u>Criminal Court</u>					
Drug Control Fines	0	0	0	0	1,404
<u>General Sessions Court</u>					
Fines	0	0	0	0	50,193
Fines for Littering	0	0	0	0	190
Officers Costs	0	0	0	0	81,531
Game and Fish Fines	0	0	0	0	455
Drug Control Fines	0	0	0	0	31,474
Drug Court Fees	0	0	0	0	14,780
Jail Fees	71,707	0	0	0	97,712
Interpreter Fees	0	0	0	0	119
DUI Treatment Fines	0	0	0	0	13,046
Data Entry Fee - General Sessions Court	0	0	0	0	23,797
Courtroom Security Fee	0	0	0	0	190
<u>Juvenile Court</u>					
Fines	0	0	0	0	3,889
Courtroom Security Fee	0	0	0	0	101
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	0	0	0	0	1,447
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	658
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	82,490
Total Fines, Forfeitures, and Penalties	\$ 74,757	\$ 0	\$ 0	\$ 0	427,664

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 0	\$ 0	\$ 0	\$ 0	54,993
Work Release Charges for Board	0	0	0	0	33,344
Other General Service Charges	0	0	0	0	525
<u>Fees</u>					
Recreation Fees	0	0	0	0	25,981
Copy Fees	0	0	0	0	11,652
Telephone Commissions	0	0	0	0	57,470
Vending Machine Collections	0	0	0	0	303
Constitutional Officers' Fees and Commissions	0	0	0	0	1,173,541
Data Processing Fee - Register	0	0	0	0	28,412
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,920
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	1,388,141
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 646,112	\$ 68	\$ 19,650	\$ 1,891	\$ 737,449
Lease/Rentals	19,444	0	1,189,701	0	1,239,326
Sale of Materials and Supplies	0	0	0	0	16,808
Sale of Maps	0	0	0	0	2,094
Retirees' Insurance Payments	0	0	0	0	4,403
Miscellaneous Refunds	0	0	0	0	36,465
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	8,343
Damages Recovered from Individuals	0	0	0	0	100
Contributions & Gifts	0	0	0	0	750
<u>Other Local Revenues</u>					
Other Local Revenues	200,000	71,249	0	0	271,249
Total Other Local Revenues	\$ 865,556	\$ 71,317	\$ 1,209,351	\$ 1,891	\$ 2,316,987
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	216,504

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>					
<u>Excess Fees (Cont.)</u>					
Register	\$ 0	\$ 0	\$ 0	\$ 0	198,010
Trustee	0	0	0	0	648,652
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	0	0	0	0	154,773
General Sessions Court Clerk	0	0	0	0	369,576
Sheriff	0	0	0	0	23,640
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	1,611,155
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	25,096
State Reappraisal Grant	0	0	0	0	17,916
Solid Waste Grants	0	0	0	0	42,813
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	15,561
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	121,357
<u>Public Works Grants</u>					
Litter Program	0	0	0	0	71,148
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	96,557
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	52,775
State Revenue Sharing - T.V.A.	0	0	0	0	547,661
Contracted Prisoner Boarding	0	0	0	0	549,598
Gasoline and Motor Fuel Tax	0	0	0	0	1,624,670
Petroleum Special Tax	0	0	0	0	46,760
Registrar's Salary Supplement	0	0	0	0	16,380
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 0	3,245,504

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	10,494
Homeland Security Grants	0	0	0	0	727,897
Other Federal through State	0	0	0	0	112,123
<u>Direct Federal Revenue</u>					
Asset Forfeiture Funds	0	0	0	0	3,718
Other Direct Federal Revenue	0	0	0	0	7,800
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	862,032
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	1,070
Contracted Services	0	0	0	0	91,803
<u>Citizens Groups</u>					
Donations	0	0	0	0	20,192
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	113,065
Total	\$ 3,788,427	\$ 71,317	\$ 1,209,351	\$ 1,891	\$ 21,879,929

Exhibit J-7

Hamblen County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 12,597,002	\$ 0	\$ 0	\$ 0	\$ 12,597,002
Trustee's Collections - Prior Year	445,666	0	0	0	445,666
Trustee's Collections - Bankruptcy	1,990	0	0	0	1,990
Circuit/Clerk & Master Collections - Prior Years	109,942	0	0	0	109,942
Interest and Penalty	113,828	0	0	0	113,828
Pick-up Taxes	2,189	0	0	0	2,189
Payments in-Lieu-of Taxes - T.V.A.	1,434	0	0	0	1,434
Payments in-Lieu-of Taxes - Local Utilities	117,050	0	0	0	117,050
<u>County Local Option Taxes</u>					
Local Option Sales Tax	10,162,917	0	0	0	10,162,917
Wheel Tax	720,532	0	0	0	720,532
<u>Statutory Local Taxes</u>					
Bank Excise Tax	85,780	0	0	0	85,780
Interstate Telecommunications Tax	9,215	0	0	0	9,215
<b>Total Local Taxes</b>	<b>\$ 24,367,545</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 24,367,545</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 118,069	\$ 0	\$ 0	\$ 0	\$ 118,069
Tuition - Other	173,829	0	0	0	173,829
Lunch Payments - Children	0	0	1,076,545	0	1,076,545
Lunch Payments - Adults	0	0	165,075	0	165,075
Income from Breakfast	0	0	203,865	0	203,865
A la carte Sales	0	0	301,966	0	301,966
Receipts from Individual Schools	129,874	0	0	0	129,874
<u>Other Charges for Services</u>					
Other Charges for Services	154,469	0	33,822	0	188,291
<b>Total Charges for Current Services</b>	<b>\$ 576,241</b>	<b>\$ 0</b>	<b>\$ 1,781,273</b>	<b>\$ 0</b>	<b>\$ 2,357,514</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 19,988	\$ 170	\$ 20,158
Lease/Rentals	16,553	0	0	0	16,553
Sale of Materials and Supplies	549	0	0	0	549
Miscellaneous Refunds	60,982	0	0	0	60,982
<u>Nonrecurring Items</u>					
Sale of Equipment	11,917	0	0	0	11,917
Sale of Property	8,375	0	0	0	8,375
Damages Recovered from Individuals	2,803	0	0	0	2,803
Contributions & Gifts	100,623	0	0	0	100,623
<u>Other Local Revenues</u>					
Other Local Revenues	92,236	0	0	0	92,236
<b>Total Other Local Revenues</b>	<b>\$ 294,038</b>	<b>\$ 0</b>	<b>\$ 19,988</b>	<b>\$ 170</b>	<b>\$ 314,196</b>
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 27,050,511	\$ 0	\$ 0	\$ 0	\$ 27,050,511
School Food Service	0	0	54,647	0	54,647

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Driver Education	\$ 26,573	\$ 0	\$ 0	\$ 0	\$ 26,573
Career Ladder Program	506,312	0	0	0	506,312
Career Ladder - Extended Contract	194,531	0	0	0	194,531
<u>Other State Revenues</u>					
Mixed Drink Tax	21,414	0	0	0	21,414
Other State Grants	183,509	0	0	0	183,509
Total State of Tennessee	\$ 27,982,850	\$ 0	\$ 54,647	\$ 0	\$ 28,037,497
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,717,725	\$ 0	\$ 1,717,725
Breakfast	0	0	555,382	0	555,382
USDA - Other	0	0	8,754	0	8,754
Adult Education State Grant Program	107,471	0	0	0	107,471
Vocational Education - Basic Grants to States	0	239,896	0	0	239,896
Title I Grants to Local Education Agencies	0	1,979,352	0	0	1,979,352
Innovative Education Program Strategies	0	30,020	0	0	30,020
Special Education - Grants to States	1,824	2,032,936	0	0	2,034,760
Special Education Preschool Grants	0	65,274	0	0	65,274
Eisenhower Professional Development State Grants	0	592,761	0	0	592,761
Other Federal through State	124,641	218,742	0	0	343,383
Total Federal Government	\$ 233,936	\$ 5,158,981	\$ 2,281,861	\$ 0	\$ 7,674,778
Total	\$ 53,454,610	\$ 5,158,981	\$ 4,137,769	\$ 170	\$ 62,751,530

Exhibit J-8

Hamblen County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	70,800	
Social Security		3,790	
State Retirement		3,722	
Life Insurance		275	
Medical Insurance		43,296	
Employer Medicare		886	
Audit Services		13,127	
Contracts with Private Agencies		1,361	
Dues and Memberships		1,600	
Total County Commission			\$ 138,857

Board of Equalization

Board and Committee Members Fees	\$	1,225	
Total Board of Equalization			1,225

County Mayor/Executive

County Official/Administrative Officer	\$	73,765	
Assistant(s)		27,368	
Social Security		6,072	
State Retirement		6,675	
Life Insurance		78	
Medical Insurance		10,148	
Employer Medicare		1,420	
Total County Mayor/Executive			125,526

County Attorney

Other Salaries & Wages	\$	1,200	
Social Security		74	
Employer Medicare		17	
Legal Services		120,510	
Total County Attorney			121,801

Election Commission

County Official/Administrative Officer	\$	54,943	
Deputy(ies)		45,734	
Overtime Pay		1,242	
Election Commission		12,000	
Election Workers		14,600	
Social Security		7,061	
State Retirement		6,709	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Life Insurance	\$	118	
Medical Insurance		7,870	
Employer Medicare		1,651	
Communication		590	
Contracts with Private Agencies		7,001	
Dues and Memberships		250	
Legal Notices, Recording, and Court Costs		3,681	
Maintenance Agreements		2,571	
Maintenance & Repair Services - Office Equipment		101	
Postal Charges		95	
Printing, Stationery, and Forms		1,333	
Travel		2,377	
Office Supplies		2,894	
Office Equipment		351	
Total Election Commission			\$ 173,172

Register of Deeds

Life Insurance	\$	196	
Medical Insurance		40,570	
Communication		912	
Dues and Memberships		592	
Travel		282	
Office Supplies		11,640	
Data Processing Equipment		28,551	
Total Register of Deeds			82,743

Planning

County Official/Administrative Officer	\$	44,182	
Assistant(s)		26,384	
Deputy(ies)		45,227	
Secretary(ies)		21,552	
Board and Committee Members Fees		16,600	
Other Per Diem & Fees		4,112	
Social Security		9,637	
State Retirement		9,142	
Life Insurance		176	
Medical Insurance		32,053	
Employer Medicare		2,254	
Communication		1,254	
Contracts with Government Agencies		16,000	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Data Processing Services	\$	346	
Dues and Memberships		285	
Legal Notices, Recording, and Court Costs		493	
Maintenance Agreements		467	
Maintenance & Repair Services - Vehicles		1,026	
Postal Charges		13	
Travel		105	
Gasoline		2,391	
Office Supplies		2,579	
In Service/Staff Development		2,220	
Office Equipment		2,693	
Total Planning			\$ 241,191

Other Facilities

Assistant(s)	\$	49,573	
Supervisor/Director		31,071	
Custodial Personnel		62,676	
Part-time Personnel		5,597	
Social Security		8,823	
State Retirement		9,288	
Life Insurance		229	
Medical Insurance		41,744	
Employer Medicare		2,063	
Communication		1,669	
Maintenance Agreements		7,093	
Maintenance & Repair Services - Buildings		36,590	
Maintenance & Repair Services - Equipment		1,192	
Maintenance & Repair Services - Vehicles		364	
Pest Control		2,577	
Custodial Supplies		11,783	
Electricity		124,116	
Natural Gas		47,401	
Building Improvements		35,544	
Total Other Facilities			479,393

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	45,416	
Assistant(s)		26,719	
Accountants/Bookkeepers		23,945	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Part-time Personnel	\$	6,472	
Social Security		6,126	
State Retirement		6,247	
Life Insurance		112	
Medical Insurance		16,042	
Employer Medicare		1,433	
Communication		2,770	
Dues and Memberships		945	
Legal Notices, Recording, and Court Costs		1,128	
Printing, Stationery, and Forms		106	
Travel		2,808	
Office Supplies		3,130	
In Service/Staff Development		720	
Total Accounting and Budgeting			\$ 144,119

Purchasing

County Official/Administrative Officer	\$	37,180	
Purchasing Personnel		24,291	
Social Security		3,552	
State Retirement		4,057	
Life Insurance		78	
Medical Insurance		12,584	
Employer Medicare		831	
Advertising		638	
Communication		266	
Dues and Memberships		30	
Printing, Stationery, and Forms		1,025	
Travel		329	
Office Supplies		390	
Total Purchasing			85,251

Property Assessor's Office

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		98,951	
Data Processing Personnel		32,601	
Other Per Diem & Fees		5,846	
Social Security		11,675	
State Retirement		12,712	
Life Insurance		242	
Medical Insurance		34,562	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Employer Medicare	\$	2,730	
Communication		823	
Contracts with Government Agencies		19,467	
Data Processing Services		3,844	
Dues and Memberships		1,250	
Maintenance Agreements		300	
Maintenance & Repair Services - Vehicles		2,984	
Printing, Stationery, and Forms		366	
Travel		435	
Data Processing Supplies		319	
Gasoline		2,139	
Office Supplies		1,997	
Office Equipment		549	
Total Property Assessor's Office	\$		294,840

Reappraisal Program

Deputy(ies)	\$	24,790	
Social Security		1,421	
State Retirement		1,636	
Life Insurance		39	
Medical Insurance		6,662	
Employer Medicare		332	
Contracts with Government Agencies		5,570	
Contracts with Private Agencies		67,245	
Postal Charges		1,070	
Tuition		292	
Office Supplies		478	
Other Supplies and Materials		55	
Office Equipment		1,285	
Total Reappraisal Program			110,875

County Trustee's Office

Life Insurance	\$	235	
Medical Insurance		43,301	
Communication		495	
Legal Notices, Recording, and Court Costs		74	
Postal Charges		9,985	
Printing, Stationery, and Forms		3,349	
Office Supplies		1,937	
Office Equipment		1,242	
Total County Trustee's Office			60,618

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Life Insurance	\$	670	
Medical Insurance		83,994	
Communication		1,674	
Maintenance Agreements		17,420	
Printing, Stationery, and Forms		3,063	
Rentals		2,434	
Office Supplies		4,446	
Office Equipment		20,152	
Total County Clerk's Office			\$ 133,853

Data Processing

Data Processing Services	\$	4,283	
Maintenance Agreements		14,208	
Data Processing Supplies		643	
Data Processing Equipment		13,370	
Total Data Processing			32,504

Other Finance

Maintenance Personnel	\$	2,942	
Social Security		182	
Employer Medicare		43	
Communication		2,427	
Operating Lease Payments		23,178	
Office Supplies		2,292	
Office Equipment		230	
Total Other Finance			31,294

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		202,976	
Part-time Personnel		38,033	
Overtime Pay		442	
Other Salaries & Wages		24,726	
Board and Committee Members Fees		600	
Jury and Witness Fees		21,236	
Other Per Diem & Fees		552	
Social Security		19,789	
State Retirement		17,515	
Life Insurance		353	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Medical Insurance	\$	44,431	
Employer Medicare		4,629	
Communication		1,305	
Maintenance Agreements		2,040	
Maintenance & Repair Services - Office Equipment		133	
Printing, Stationery, and Forms		10,926	
Travel		464	
Office Supplies		14,341	
Office Equipment		4,974	
Total Circuit Court			\$ 470,513

General Sessions Court

Judge(s)	\$	154,293	
Other Salaries & Wages		49,794	
Social Security		11,531	
State Retirement		9,860	
Life Insurance		157	
Medical Insurance		21,154	
Employer Medicare		2,846	
Communication		434	
Dues and Memberships		100	
Travel		911	
Other Contracted Services		267	
Office Supplies		1,465	
Uniforms		702	
Office Equipment		239	
Total General Sessions Court			253,753

Drug Court

Supervisor/Director	\$	28,840	
Clerical Personnel		4,481	
Social Security		2,056	
State Retirement		2,130	
Life Insurance		46	
Medical Insurance		1,231	
Employer Medicare		481	
Communication		196	
Postal Charges		255	
Printing, Stationery, and Forms		31	
Rentals		2,500	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court (Cont.)

Travel	\$	8,790	
Drug Treatment		21,496	
Office Supplies		1,605	
Office Equipment		158	
Total Drug Court			\$ 74,296

Chancery Court

Life Insurance	\$	163	
Medical Insurance		23,377	
Communication		565	
Maintenance & Repair Services - Buildings		1,162	
Printing, Stationery, and Forms		1,842	
Rentals		2,394	
Office Supplies		7,767	
Total Chancery Court			37,270

Juvenile Court

Judge(s)	\$	28,312	
Assistant(s)		29,391	
Probation Officer(s)		11,222	
Youth Service Officer(s)		37,180	
Guidance Personnel		16,802	
Educational Assistants		21,153	
Attendants		111,503	
Part-time Personnel		3,970	
Other Salaries & Wages		2,185	
In-Service Training		75	
Other Per Diem & Fees		1,951	
Social Security		15,861	
State Retirement		6,497	
Life Insurance		131	
Medical Insurance		23,082	
Employer Medicare		3,709	
Advertising		29	
Communication		3,180	
Consultants		9,719	
Contracts with Government Agencies		12,625	
Dues and Memberships		70	
Evaluation and Testing		4,138	
Maintenance Agreements		972	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Maintenance & Repair Services - Vehicles	\$	1,901	
Travel		1,161	
Other Contracted Services		4,595	
Food Supplies		3,225	
Gasoline		301	
Office Supplies		4,066	
Office Equipment		193	
Total Juvenile Court			\$ 359,199

Probate Court

Office Supplies	\$	2,417	
Total Probate Court			2,417

Probation Services

Other Salaries & Wages	\$	33,296	
Social Security		2,065	
Employer Medicare		483	
Total Probation Services			35,844

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,253	
Deputy(ies)		396,654	
Captain(s)		82,012	
Lieutenant(s)		191,678	
Sergeant(s)		300,776	
Salary Supplements		15,042	
Clerical Personnel		100,789	
Part-time Personnel		22,076	
Overtime Pay		50,339	
Other Salaries & Wages		58,195	
In-Service Training		11,679	
Social Security		77,096	
State Retirement		78,809	
Life Insurance		1,353	
Medical Insurance		200,627	
Employer Medicare		18,029	
Communication		22,901	
Contracts with Private Agencies		61,365	
Dues and Memberships		1,630	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Evaluation and Testing	\$	402	
Maintenance Agreements		3,976	
Maintenance & Repair Services - Equipment		4,498	
Maintenance & Repair Services - Vehicles		37,913	
Printing, Stationery, and Forms		2,381	
Tow-in Services		873	
Travel		6,450	
Gasoline		117,104	
Law Enforcement Supplies		9,281	
Lubricants		6,543	
Office Supplies		7,845	
Tires and Tubes		10,123	
Uniforms		681	
Other Charges		17,965	
Principal on Notes		100,000	
Interest on Notes		8,280	
Law Enforcement Equipment		9,375	
Other Equipment		3,001	
Total Sheriff's Department			\$ 2,107,994

Wheel Tax Officer

Communication	\$	714	
Travel		3,618	
Office Supplies		2,775	
Office Equipment		895	
Total Wheel Tax Officer			8,002

Drug Enforcement

Law Enforcement Supplies	\$	6,759	
Total Drug Enforcement			6,759

Administration of the Sexual Offender Registry

Travel	\$	311	
Office Supplies		549	
Office Equipment		873	
Total Administration of the Sexual Offender Registry			1,733

Jail

Captain(s)	\$	35,325	
Guards		635,793	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Cafeteria Personnel	\$	18,636	
Overtime Pay		20,609	
Social Security		43,202	
State Retirement		46,623	
Life Insurance		1,200	
Medical Insurance		161,253	
Employer Medicare		10,104	
Maintenance Agreements		3,351	
Maintenance & Repair Services - Buildings		2,177	
Maintenance & Repair Services - Equipment		4,988	
Maintenance & Repair Services - Vehicles		2,371	
Medical and Dental Services		189,605	
Custodial Supplies		32,316	
Drugs and Medical Supplies		15,421	
Food Supplies		228,466	
Prisoners Clothing		6,224	
Other Charges		8,191	
Other Equipment		5,239	
Total Jail			\$ 1,471,094

Workhouse

Guards	\$	34,285	
Overtime Pay		253	
Social Security		2,067	
State Retirement		2,280	
Life Insurance		53	
Medical Insurance		9,858	
Employer Medicare		484	
Total Workhouse			49,280

Work Release Program

Supervisor/Director	\$	32,880	
Secretary(ies)		24,344	
Overtime Pay		132	
In-Service Training		250	
Social Security		3,222	
State Retirement		3,786	
Life Insurance		78	
Medical Insurance		10,615	
Employer Medicare		753	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Work Release Program (Cont.)

Communication	\$	266	
Maintenance & Repair Services - Vehicles		545	
Printing, Stationery, and Forms		386	
Gasoline		2,014	
Office Supplies		806	
Total Work Release Program			\$ 80,077

Fire Prevention and Control

Contributions	\$	140,000	
Total Fire Prevention and Control			140,000

Civil Defense

Supervisor/Director	\$	32,331	
Part-time Personnel		11,317	
Social Security		2,668	
State Retirement		2,134	
Life Insurance		39	
Medical Insurance		3,928	
Employer Medicare		624	
Communication		1,192	
Maintenance & Repair Services - Vehicles		1,894	
Travel		100	
Gasoline		3,036	
Office Supplies		469	
Uniforms		664	
Liability Insurance		3,597	
Other Charges		1,051	
Communication Equipment		2,196	
Total Civil Defense			67,240

Rescue Squad

Contracts with Government Agencies	\$	141,436	
Total Rescue Squad			141,436

Other Emergency Management

Other Equipment	\$	584,853	
Total Other Emergency Management			584,853

County Coroner/Medical Examiner

Assistant(s)	\$	3,900	
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(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner (Cont.)

Other Salaries & Wages	\$	68,794	
Other Contracted Services		<u>7,200</u>	
Total County Coroner/Medical Examiner	\$		79,894

Other Public Safety

Motor Vehicles	\$	12,370	
Other Equipment		<u>54,408</u>	
Total Other Public Safety			66,778

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	82,235	
Social Security		4,815	
State Retirement		5,092	
Life Insurance		118	
Medical Insurance		17,563	
Employer Medicare		1,126	
Contracts with Government Agencies		59,971	
Travel		<u>1,309</u>	
Total Local Health Center			172,229

Rabies and Animal Control

Contributions	\$	<u>127,400</u>	
Total Rabies and Animal Control			127,400

Nursing Home

Contributions	\$	<u>2,000</u>	
Total Nursing Home			2,000

Crippled Children Services

Contributions	\$	<u>6,242</u>	
Total Crippled Children Services			6,242

Appropriation to State

Contributions	\$	<u>110,500</u>	
Total Appropriation to State			110,500

Aid to Dependent Children

Contributions	\$	<u>8,000</u>	
Total Aid to Dependent Children			8,000

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Child Support

Contributions	\$ 14,883	
Total Child Support		\$ 14,883

Other Local Welfare Services

Contributions	\$ 44,940	
Total Other Local Welfare Services		44,940

Sanitation Management

Contributions	\$ 15,000	
Total Sanitation Management		15,000

Other Public Health and Welfare

Contributions	\$ 5,000	
Total Other Public Health and Welfare		5,000

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 11,600	
Total Adult Activities		11,600

Senior Citizens Assistance

Contributions	\$ 6,500	
Total Senior Citizens Assistance		6,500

Libraries

Contributions	\$ 218,500	
Total Libraries		218,500

Parks and Fair Boards

County Official/Administrative Officer	\$ 36,080
Supervisor/Director	28,697
Maintenance Personnel	23,703
Overtime Pay	4,273
Other Salaries & Wages	18,383
Social Security	6,882
State Retirement	6,407
Life Insurance	118
Medical Insurance	11,785
Employer Medicare	1,610
Advertising	2,198

(Continued)

Hamblen 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.)

Architects	\$	3,000	
Bank Charges		714	
Communication		5,106	
Maintenance Agreements		240	
Maintenance & Repair Services - Equipment		5,439	
Maintenance & Repair Services - Vehicles		650	
Custodial Supplies		7,958	
Diesel Fuel		1,011	
Electricity		12,206	
Gasoline		6,714	
Office Supplies		59	
Uniforms		1,388	
Water and Sewer		10,431	
Other Supplies and Materials		6,769	
Liability Insurance		5,841	
Refunds		450	
Workers' Compensation Insurance		5,657	
Other Charges		4,961	
Other Construction		14,014	
Total Parks and Fair Boards			\$ 232,744

Other Social, Cultural, and Recreational

Contracts with Government Agencies	\$	39,273	
Contributions		218,130	
Total Other Social, Cultural, and Recreational			257,403

Agriculture & Natural Resources

Agriculture Extension Service

Contributions	\$	114,310	
Total Agriculture Extension Service			114,310

Forest Service

Contributions	\$	1,000	
Total Forest Service			1,000

Soil Conservation

Secretary(ies)	\$	22,026	
Social Security		1,212	
State Retirement		1,454	
Life Insurance		39	

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Medical Insurance	\$	10,063	
Employer Medicare		<u>284</u>	
Total Soil Conservation			\$ 35,078

Other Operations

Tourism

Contributions	\$	<u>17,500</u>	
Total Tourism			17,500

Industrial Development

Contributions	\$	<u>40,000</u>	
Total Industrial Development			40,000

Public Transportation

Contributions	\$	<u>24,988</u>	
Total Public Transportation			24,988

Veterans' Services

County Official/Administrative Officer	\$	11,610	
Social Security		720	
Employer Medicare		168	
Communication		230	
Legal Notices, Recording, and Court Costs		92	
Printing, Stationery, and Forms		39	
Travel		349	
Office Supplies		96	
Office Equipment		<u>204</u>	
Total Veterans' Services			13,508

Other Charges

Advertising	\$	796	
Communication		33,324	
Contracts with Private Agencies		43,768	
Dues and Memberships		18,821	
Legal Notices, Recording, and Court Costs		536	
Maintenance Agreements		10,665	
Postal Charges		33,484	
Contracts for Postclosure Care Costs		600	
Data Processing Supplies		741	
Duplicating Supplies		165	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Office Supplies	\$	3,062	
Premiums on Corporate Surety Bonds		646	
Trustee's Commission		141,641	
Other Charges		15,500	
Interest on Notes		16,973	
Data Processing Equipment		12,653	
Office Equipment		4,325	
Total Other Charges			\$ 337,700

Employee Benefits

Handling Charges & Administrative Costs	\$	1,751	
Medical Insurance		109,290	
Unemployment Compensation		14,902	
Other Fringe Benefits		930	
Liability Insurance		242,098	
Workers' Compensation Insurance		135,723	
Total Employee Benefits			504,694

Capital Projects

Other General Government Projects

Communication Equipment	\$	90,000	
Total Other General Government Projects			90,000

Total General Fund \$ 10,707,413

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Foremen	\$	33,455	
Equipment Operators - Heavy		67,118	
Truck Drivers		177,470	
Laborers		120,973	
Overtime Pay		17,498	
Social Security		25,015	
Handling Charges & Administrative Costs		150	
State Retirement		27,413	
Life Insurance		878	
Medical Insurance		115,254	
Employer Medicare		5,850	
Advertising		5,042	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Contracts with Private Agencies	\$	68,286	
Maintenance & Repair Services - Equipment		73,774	
Postal Charges		3,446	
Disposal Fees		623,566	
Diesel Fuel		96,554	
Gasoline		2,797	
Lubricants		791	
Office Supplies		261	
Tires and Tubes		17,014	
Uniforms		4,652	
Other Supplies and Materials		15,920	
Liability Insurance		22,181	
Trustee's Commission		35,401	
Workers' Compensation Insurance		47,125	
Principal on Notes		36,333	
Interest on Notes		10,030	
Motor Vehicles		89,711	
Solid Waste Equipment		637,218	
Total Sanitation Management			\$ 2,381,176

Total Solid Waste/Sanitation Fund \$ 2,381,176

Special Purpose Fund

Social, Cultural, and Recreational Services

Parks and Fair Boards

Asphalt	\$	40,302	
Gasoline		953	
Other Charges		1,474	
Total Parks and Fair Boards			\$ 42,729

Total Special Purpose Fund 42,729

Drug Control Fund

Public Safety

Drug Enforcement

Dues and Memberships	\$	300	
Travel		218	
Veterinary Services		225	
Other Contracted Services		2,000	
Animal Food and Supplies		774	

(Continued)

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Law Enforcement Supplies	\$	21,556	
Office Supplies		857	
Trustee's Commission		1,015	
Law Enforcement Equipment		32,731	
Office Equipment		7,935	
Total Drug Enforcement			\$ 67,611

Total Drug Control Fund \$ 67,611

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	198,839	
Total Register of Deeds			\$ 198,839

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	219,245	
Total County Trustee's Office			219,245

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	576,727	
Total County Clerk's Office			576,727

Administration of Justice

General Sessions Court

Constitutional Officers' Operating Expenses	\$	352	
Total General Sessions Court			352

Chancery Court

Constitutional Officers' Operating Expenses	\$	174,614	
Total Chancery Court			174,614

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$	118	
Total Sheriff's Department			118

Total Constitutional Officers - Fees Fund 1,169,895

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,152	
Assistant(s)		41,194	
Accountants/Bookkeepers		30,791	
Board and Committee Members Fees		18,600	
Social Security		9,514	
State Retirement		7,533	
Life Insurance		118	
Medical Insurance		18,055	
Employer Medicare		2,225	
Communication		8,582	
Dues and Memberships		2,641	
Legal Services		2,365	
Postal Charges		203	
Electricity		9,849	
Office Supplies		1,370	
Propane Gas		9,511	
Water and Sewer		1,024	
Liability Insurance		23,369	
Trustee's Commission		16,952	
Vehicle and Equipment Insurance		27,796	
Other Charges		8,628	
Total Administration			\$ 307,472

Highway and Bridge Maintenance

Foremen	\$	38,704
Equipment Operators		175,376
Truck Drivers		223,984
Laborers		86,386
Overtime Pay		9,507
Social Security		31,736
State Retirement		35,049
Life Insurance		875
Medical Insurance		130,081
Employer Medicare		7,422
Contracts with Private Agencies		79,989
Rentals		2,045
Asphalt - Cold Mix		600
Asphalt - Hot Mix		154,127
Concrete		1,352
Crushed Stone		40,684

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

General Construction Materials	\$	450	
Other Road Supplies		3,158	
Pipe - Metal		10,461	
Road Signs		7,393	
Salt		10,395	
Uniforms		5,136	
Fencing		30,915	
Total Highway and Bridge Maintenance			\$ 1,085,825

Operation and Maintenance of Equipment

Mechanic(s)	\$	50,350	
Overtime Pay		5,138	
Social Security		3,266	
State Retirement		3,662	
Life Insurance		39	
Medical Insurance		13,664	
Employer Medicare		764	
Diesel Fuel		37,890	
Equipment Parts - Heavy		83,131	
Garage Supplies		11,806	
Gasoline		24,164	
Lubricants		6,697	
Road Signs		181	
Small Tools		1,860	
Tires and Tubes		14,366	
Other Supplies and Materials		11,590	
Total Operation and Maintenance of Equipment			268,568

Employee Benefits

Handling Charges & Administrative Costs	\$	212	
Unemployment Compensation		3,165	
Other Fringe Benefits		940	
Workers' Compensation Insurance		55,547	
Total Employee Benefits			59,864

Capital Outlay

Furniture and Fixtures	\$	365	
Motor Vehicles		170,625	
Total Capital Outlay			170,990

Total Highway/Public Works Fund \$ 1,892,719

(Continued)

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 38,891	
Total General Government		\$ 38,891

Education

Principal on Bonds	\$ 1,230,000	
Total Education		1,230,000

Interest on Debt

General Government

Interest on Notes	\$ 2,761	
Interest on Other Loans	241,227	
Total General Government		243,988

Education

Interest on Bonds	\$ 54,735	
Interest on Other Loans	1,614,368	
Total Education		1,669,103

Other Debt Service

General Government

Trustee's Commission	\$ 62,197	
Total General Government		62,197

Education

Other Debt Service	\$ 816	
Total Education		816

Total General Debt Service Fund		\$ 3,244,995
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Special Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$ 225,000	
Total General Government		\$ 225,000

Interest on Debt

General Government

Interest on Other Loans	\$ 52,900	
Total General Government		52,900

(Continued)

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

Special Debt Service Fund (Cont.)

Other Debt Service

General Government

Other Debt Service

\$ 608

Total General Government

\$ 608

Total Special Debt Service Fund

\$ 278,508

Hospital Debt Service Fund

Public Health and Welfare

Other Public Health and Welfare

Other Capital Outlay

\$ 877,105

Total Other Public Health and Welfare

\$ 877,105

Interest on Debt

General Government

Interest on Bonds

\$ 41,400

Interest on Other Loans

1,018,859

Total General Government

1,060,259

Other Debt Service

General Government

Other Debt Service

\$ 482

Total General Government

482

Capital Projects

Social, Cultural, and Recreation Projects

Contributions

\$ 2,500

Total Social, Cultural, and Recreation Projects

2,500

Education Capital Projects

Contributions

\$ 60,000

Total Education Capital Projects

60,000

Total Hospital Debt Service Fund

2,000,346

General Capital Projects Fund

Capital Projects

Public Safety Projects

Architects

\$ 15,450

Total Public Safety Projects

\$ 15,450

Total General Capital Projects Fund

15,450

(Continued)

Exhibit J-8

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

Sanitation Projects Fund

Capital Projects

Public Health and Welfare Projects

Architects	\$	34,931	
Legal Notices, Recording, and Court Costs		205	
Other Construction		<u>298,053</u>	
Total Public Health and Welfare Projects	\$		<u>333,189</u>

Total Sanitation Projects Fund \$ 333,189

Total Governmental Funds - Primary Government \$ 22,134,031

Exhibit J-9

Hamblen County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Hamblen County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 18,698,135	
Career Ladder Program	349,300	
Career Ladder Extended Contracts	138,000	
Educational Assistants	832,731	
Other Salaries & Wages	354,830	
Certified Substitute Teachers	71,078	
Non-certified Substitute Teachers	237,660	
Social Security	1,216,776	
State Retirement	1,108,199	
Life Insurance	21,606	
Medical Insurance	3,356,850	
Unemployment Compensation	8,910	
Employer Medicare	292,227	
Payments to Retirees	236,070	
Other Contracted Services	111,255	
Instructional Supplies and Materials	346,809	
Textbooks	554,407	
Other Supplies and Materials	11,624	
Other Charges	4,777	
Regular Instruction Equipment	79,740	
Total Regular Instruction Program		\$ 28,030,984

Special Education Program

Teachers	\$ 2,576,968	
Career Ladder Program	47,250	
Career Ladder Extended Contracts	10,000	
Educational Assistants	291,816	
Certified Substitute Teachers	7,045	
Non-certified Substitute Teachers	35,910	
Social Security	175,148	
State Retirement	161,428	
Life Insurance	3,322	
Medical Insurance	588,040	
Unemployment Compensation	1,385	
Employer Medicare	41,798	
Other Contracted Services	543,494	
Instructional Supplies and Materials	33,223	
Textbooks	1,075	
Special Education Equipment	25,385	
Total Special Education Program		4,543,287

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$ 1,857,539	
Career Ladder Program	36,133	
Career Ladder Extended Contracts	3,000	
Certified Substitute Teachers	6,598	
Non-certified Substitute Teachers	22,225	
Social Security	114,921	
State Retirement	104,305	
Life Insurance	1,728	
Medical Insurance	302,864	
Unemployment Compensation	762	
Employer Medicare	26,900	
Instructional Supplies and Materials	45,807	
Other Supplies and Materials	12,624	
Other Charges	3,723	
Vocational Instruction Equipment	31,123	
Total Vocational Education Program		\$ 2,570,252

Student Body Education Program

Other Fringe Benefits	\$ 900	
Other Contracted Services	6,549	
Other Supplies and Materials	16,212	
Other Charges	21,623	
Total Student Body Education Program		45,284

Adult Education Program

Teachers	\$ 75,668	
Social Security	4,665	
State Retirement	3,566	
Life Insurance	40	
Medical Insurance	4,859	
Unemployment Compensation	61	
Employer Medicare	1,091	
Instructional Supplies and Materials	22,072	
Other Equipment	3,300	
Total Adult Education Program		115,322

Support Services

Attendance

Clerical Personnel	\$ 19,125	
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(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	1,186	
State Retirement		1,262	
Life Insurance		40	
Medical Insurance		4,728	
Unemployment Compensation		14	
Employer Medicare		277	
Travel		1,647	
Total Attendance			\$ 28,279

Health Services

Medical Personnel	\$	14,079	
Social Security		795	
State Retirement		774	
Life Insurance		37	
Medical Insurance		9,341	
Unemployment Compensation		27	
Employer Medicare		186	
Drugs and Medical Supplies		4,002	
Total Health Services			29,241

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		600,718	
Other Salaries & Wages		10,705	
Social Security		36,781	
State Retirement		33,425	
Life Insurance		659	
Medical Insurance		112,033	
Unemployment Compensation		286	
Employer Medicare		8,649	
Evaluation and Testing		20,495	
Total Other Student Support			830,751

Regular Instruction Program

Supervisor/Director	\$	4,751
Career Ladder Program		1,000
Secretary(ies)		53,975
In-Service Training		12,868
Social Security		3,538

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	3,879	
Life Insurance		40	
Medical Insurance		13,997	
Unemployment Compensation		42	
Employer Medicare		827	
Travel		13,786	
Other Contracted Services		64,155	
Library Books/Media		22,971	
Other Supplies and Materials		34,064	
Other Charges		5,576	
Other Equipment		7,332	
Total Regular Instruction Program			\$ 242,801

Special Education Program

Supervisor/Director	\$	61,796	
Career Ladder Program		1,000	
Secretary(ies)		54,348	
Clerical Personnel		18,986	
Social Security		8,405	
State Retirement		8,389	
Life Insurance		158	
Medical Insurance		22,309	
Unemployment Compensation		60	
Employer Medicare		1,966	
Maintenance & Repair Services - Equipment		488	
Travel		14,305	
Other Contracted Services		9,142	
Other Supplies and Materials		1,947	
Other Charges		3,642	
Other Equipment		459	
Total Special Education Program			207,400

Vocational Education Program

Supervisor/Director	\$	58,628
Career Ladder Program		1,000
Secretary(ies)		26,302
Social Security		4,961
State Retirement		5,015
Life Insurance		81

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Medical Insurance	\$	14,440	
Unemployment Compensation		31	
Employer Medicare		1,160	
Travel		4,807	
		<hr/>	
Total Vocational Education Program	\$		116,425

Adult Programs

Supervisor/Director	\$	44,172	
Other Salaries & Wages		8,398	
Social Security		3,259	
State Retirement		2,429	
Life Insurance		40	
Medical Insurance		4,859	
Unemployment Compensation		29	
Employer Medicare		762	
Travel		314	
In Service/Staff Development		1,811	
Other Equipment		1,018	
		<hr/>	
Total Adult Programs			67,091

Board of Education

Board and Committee Members Fees	\$	37,200	
Social Security		2,306	
State Retirement		1,822	
Life Insurance		202	
Employer Medicare		542	
Audit Services		16,500	
Dues and Memberships		13,205	
Legal Services		38,540	
Travel		12,187	
Liability Insurance		160,565	
Premiums on Corporate Surety Bonds		1,739	
Trustee's Commission		470,453	
Workers' Compensation Insurance		215,002	
Other Charges		5,464	
		<hr/>	
Total Board of Education			975,727

Director of Schools

County Official/Administrative Officer	\$	101,210	
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(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Assistant(s)	\$	151,731	
Career Ladder Program		1,000	
Secretary(ies)		74,839	
Social Security		19,838	
State Retirement		23,414	
Life Insurance		308	
Medical Insurance		29,727	
Unemployment Compensation		77	
Employer Medicare		4,769	
Communication		21,016	
Postal Charges		5,561	
Travel		11,785	
Other Contracted Services		3,008	
Office Supplies		15,187	
Other Charges		20,950	
Total Director of Schools			\$ 484,420

Office of the Principal

Principals	\$	1,103,666	
Career Ladder Program		33,500	
Assistant Principals		541,085	
Secretary(ies)		583,750	
Social Security		135,862	
State Retirement		129,588	
Life Insurance		2,243	
Medical Insurance		370,779	
Unemployment Compensation		841	
Employer Medicare		31,774	
Communication		105,619	
Total Office of the Principal			3,038,707

Fiscal Services

Supervisor/Director	\$	59,995
Accountants/Bookkeepers		105,860
Social Security		9,637
State Retirement		10,287
Life Insurance		161
Medical Insurance		28,360
Unemployment Compensation		65

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	2,254	
Other Fringe Benefits		600,594	
Maintenance & Repair Services - Equipment		9,188	
Travel		2,666	
Data Processing Supplies		5,004	
Office Supplies		5,582	
Administration Equipment		8,121	
Total Fiscal Services			\$ 847,774

Operation of Plant

Custodial Personnel	\$	1,275,872	
Other Salaries & Wages		48,973	
Social Security		79,409	
State Retirement		81,091	
Life Insurance		2,007	
Medical Insurance		283,592	
Unemployment Compensation		990	
Employer Medicare		18,571	
Other Contracted Services		125,890	
Custodial Supplies		144,610	
Electricity		1,499,041	
Natural Gas		632,337	
Water and Sewer		189,066	
Other Supplies and Materials		46	
Other Charges		3,489	
Plant Operation Equipment		9,527	
Total Operation of Plant			4,394,511

Maintenance of Plant

Supervisor/Director	\$	44,041	
Other Salaries & Wages		459,087	
Social Security		30,286	
State Retirement		33,372	
Life Insurance		703	
Medical Insurance		109,483	
Unemployment Compensation		273	
Employer Medicare		7,083	
Laundry Service		8,874	
Maintenance & Repair Services - Buildings		347,584	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance & Repair Services - Equipment	\$	58,789	
Equipment and Machinery Parts		76,048	
Other Charges		4,639	
Maintenance Equipment		35,749	
Total Maintenance of Plant			\$ 1,216,011

Transportation

Supervisor/Director	\$	36,330	
Mechanic(s)		154,348	
Bus Drivers		684,219	
Clerical Personnel		29,708	
Social Security		52,641	
State Retirement		57,883	
Life Insurance		2,093	
Medical Insurance		362,309	
Unemployment Compensation		902	
Employer Medicare		12,311	
Contracts with Parents		10,438	
Maintenance & Repair Services - Vehicles		36,220	
Medical and Dental Services		6,371	
Rentals		2,491	
Travel		1,156	
Diesel Fuel		236,583	
Garage Supplies		1,994	
Gasoline		48,693	
Lubricants		9,336	
Tires and Tubes		27,336	
Vehicle Parts		81,134	
Other Supplies and Materials		9,751	
Vehicle and Equipment Insurance		65,263	
Other Charges		13,212	
Transportation Equipment		145,992	
Total Transportation			2,088,714

Central and Other

Supervisor/Director	\$	61,893	
Computer Programmer(s)		45,270	
Secretary(ies)		26,302	
Other Salaries & Wages		318,598	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Social Security	\$	27,334	
State Retirement		29,490	
Life Insurance		525	
Medical Insurance		80,105	
Unemployment Compensation		211	
Employer Medicare		6,392	
Communication		9,002	
Consultants		2,011	
Travel		2,354	
Other Contracted Services		52,230	
Office Supplies		654	
In Service/Staff Development		225	
Data Processing Equipment		120,292	
Total Central and Other			\$ 782,888

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	115,572	
Other Salaries & Wages		138,616	
Social Security		11,561	
State Retirement		2,712	
Life Insurance		40	
Medical Insurance		4,859	
Unemployment Compensation		298	
Employer Medicare		2,704	
Travel		449	
Other Contracted Services		732	
Other Charges		43,914	
Other Equipment		47	
Total Community Services			321,504

Early Childhood Education

Teachers	\$	135,751
Educational Assistants		80,588
Social Security		13,413
State Retirement		8,594
Life Insurance		178
Medical Insurance		23,771
Employer Medicare		3,137

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Instructional Supplies and Materials	\$ 16,238	
In Service/Staff Development	<u>487</u>	
Total Early Childhood Education		\$ 282,157

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ <u>950,990</u>	
Total Regular Capital Outlay		950,990

Principal on Debt

Education

Principal on Notes	\$ 257,856	
Principal on Capital Leases	<u>67,000</u>	
Total Education		324,856

Interest on Debt

Education

Interest on Notes	\$ 11,027	
Interest on Capital Leases	<u>13,413</u>	
Total Education		24,440

Other Debt Service

Education

Other Debt Service	\$ <u>200,000</u>	
Total Education		<u>200,000</u>

Total General Purpose School Fund \$ 52,759,816

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,121,903
Educational Assistants	251,704
Other Salaries & Wages	52,731
Certified Substitute Teachers	6,530
Non-certified Substitute Teachers	17,832
Social Security	90,363
State Retirement	79,982
Life Insurance	1,747

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	275,042	
Unemployment Compensation		824	
Employer Medicare		21,160	
Travel		563	
Tuition		2,880	
Other Contracted Services		39,540	
Instructional Supplies and Materials		175,339	
In Service/Staff Development		93,091	
Regular Instruction Equipment		166,139	
Total Regular Instruction Program			\$ 2,397,370

Special Education Program

Teachers	\$	130,132	
Educational Assistants		1,098,285	
Non-certified Substitute Teachers		25,925	
Social Security		72,405	
State Retirement		75,769	
Life Insurance		2,629	
Medical Insurance		403,887	
Unemployment Compensation		1,051	
Employer Medicare		17,351	
Other Contracted Services		126,242	
Instructional Supplies and Materials		11,442	
Other Supplies and Materials		12,773	
Total Special Education Program			1,977,891

Vocational Education Program

Educational Assistants	\$	17,818	
Social Security		1,105	
State Retirement		1,183	
Life Insurance		40	
Medical Insurance		4,859	
Unemployment Compensation		14	
Employer Medicare		258	
Travel		14,045	
Gasoline		521	
Instructional Supplies and Materials		26,716	
Vocational Instruction Equipment		106,311	
Total Vocational Education Program			172,870

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	133,854	
Social Security		7,650	
State Retirement		7,542	
Life Insurance		235	
Medical Insurance		45,405	
Unemployment Compensation		86	
Employer Medicare		1,789	
Other Supplies and Materials		784	
Total Health Services			\$ 197,345

Other Student Support

Evaluation and Testing	\$	2,080	
In Service/Staff Development		23,784	
Other Charges		42,487	
Total Other Student Support			68,351

Regular Instruction Program

Supervisor/Director	\$	54,641	
Other Salaries & Wages		108,932	
Social Security		10,074	
State Retirement		9,733	
Life Insurance		168	
Medical Insurance		23,561	
Unemployment Compensation		83	
Employer Medicare		2,360	
Travel		4,033	
Instructional Supplies and Materials		209	
Other Supplies and Materials		6,594	
In Service/Staff Development		67,009	
Other Equipment		6,087	
Total Regular Instruction Program			293,484

Special Education Program

Maintenance & Repair Services - Equipment	\$	1,920	
Travel		24,074	
Other Supplies and Materials		3,248	
In Service/Staff Development		6,153	
Total Special Education Program			35,395

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 2,498	
Total Vocational Education Program		\$ 2,498

Board of Education

Workers' Compensation Insurance	\$ 6,617	
Total Board of Education		6,617

Transportation

Bus Drivers	\$ 13,257	
Social Security	855	
State Retirement	829	
Unemployment Compensation	26	
Employer Medicare	183	
Contracts with Parents	14,154	
Gasoline	4,852	
Transportation Equipment	64,753	
Total Transportation		<u>98,909</u>

Total School Federal Projects Fund \$ 5,250,730

Central Cafeteria Fund

Support Services

Board of Education

Audit Services	\$ 2,850	
Workers' Compensation Insurance	39,885	
Total Board of Education		\$ 42,735

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 39,501
Accountants/Bookkeepers	29,904
Clerical Personnel	21,511
Cafeteria Personnel	1,214,822
Other Salaries & Wages	47,825
In-Service Training	1,160
Social Security	82,016
State Retirement	50,446
Life Insurance	2,460
Medical Insurance	359,103

(Continued)

Exhibit J-9

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Unemployment Compensation	\$	1,818	
Employer Medicare		19,181	
Maintenance & Repair Services - Equipment		30,024	
Travel		3,979	
Other Contracted Services		215,706	
Food Supplies		1,450,321	
Office Supplies		2,531	
Other Supplies and Materials		152,343	
In Service/Staff Development		26,522	
Other Charges		8,150	
Food Service Equipment		20,051	
Total Food Service			\$ 3,779,374

Total Central Cafeteria Fund \$ 3,822,109

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Contracted Services	\$	28	
Building Improvements		8,290	
Total Education Capital Projects			\$ 8,318

Total Education Capital Projects Fund 8,318

Total Governmental Funds - Hamblen County School Department \$ 61,840,973

Exhibit J-10

Hamblen County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 9,544,917
City Property Tax	46,176
Miscellaneous Refunds	5,493
Total Cash Receipts	<u>\$ 9,596,586</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 9,506,579
Trustee's Commission	95,449
Total Cash Disbursements	<u>\$ 9,602,028</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ (5,442)
Cash Balance, July 1, 2005	<u>16,397</u>
 Cash Balance, June 30, 2006	<u><u>\$ 10,955</u></u>

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## **SINGLE AUDIT SECTION**

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

January 5, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hamblen County's basic financial statements and have issued our report thereon dated January 5, 2007. 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 Hamblen County'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 Hamblen County'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 06.01, 06.03, 06.06, and 06.07.

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.

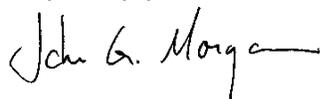
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamblen County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02, 06.04, and 06.05.

We have also noted certain other matters that we reported to the management of Hamblen County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, 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/rc



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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 5, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hamblen County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Hamblen County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hamblen County's management. Our responsibility is to express an opinion on Hamblen County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the 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 Hamblen County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hamblen County's compliance with those requirements.

In our opinion, Hamblen County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Hamblen County 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 Hamblen County'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 internal control over compliance and its operations that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated January 5, 2007. 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, 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/rc

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

For the Hamblen County Emergency Communications District

Board of Directors  
Hamblen County Emergency Communications District  
Morristown, Tennessee

We have audited the financial statements of the Hamblen County Emergency Communications District as of and for the year ended June 30, 2006, and have issued our report thereon. 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.

Compliance

As part of obtaining reasonable assurance about whether the Hamblen County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamblen County Emergency Communications District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Hamblen County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

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	N/A	\$ 348,993
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	555,382
National School Lunch Program	10.555	N/A	1,726,479
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	4,460
Total U.S. Department of Agriculture			<u>\$ 2,635,314</u>
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice:			
Edward Byrne Memorial Formula Grant Program	16.579	Z-05-025520-00	\$ 54,856
Total U.S. Department of Justice			<u>\$ 54,856</u>
U.S. Department of Transportation:			
Passed-through State Department of Economic and Community Development:			
Recreational Trails Program	20.219	Z-05-023558-00	\$ 26,676
Total U.S. Department of Transportation			<u>\$ 26,676</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,915,476
Migrant Education - State Grant Program	84.011	N/A	58,187
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	2,237,382
Special Education - Preschool Grants	84.173	N/A	69,078
Vocational Education - Basic Grants to States	84.048	N/A	207,148
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	69,643
Education for Homeless Children and Youth	84.196	(2)	117,237
State Grants for Innovative Programs	84.298	N/A	128,323
Education Technology State Grants	84.318	(2)	32,449
Reading First State Grants	84.357	Z-03-011055-01	98,275
English Language Acquisition Grants	84.365	N/A	78,394
Improving Teacher Quality State Grants	84.367	N/A	349,951
Hurricane Education Recovery	84.938	(2)	29,000
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027776-00	107,471
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	66,680
Total U.S. Department of Education			<u>\$ 5,564,694</u>

(Continued)

Hamblen County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

<u>Federal/Pass-through Agency/State Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</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-06-027186-00	\$ 20,253
Total U.S. Department of Health and Human Services			<u>\$ 20,253</u>
U.S. Department of Homeland Security: Passed-through State Department of Military: State Domestic Preparedness Equipment Support Program	97.004	Z-04-022446-00	\$ 250,884
Total U.S. Department of Homeland Security			<u>\$ 250,884</u>
Total Expenditures of Federal Awards			<u>\$ 8,552,677</u>

State Grants

		<u>Contract Number</u>	
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	\$ 25,096
Litter Program - State Department of Transportation	N/A	(2)	71,148
State Reappraisal - Comptroller of the Treasury	N/A	(2)	17,916
Health Department Programs - State Department of Health	N/A	(2)	121,357
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	42,813
Adult Basic Education Grant - State Department of Labor and Workforce Development	N/A	(2)	28,568
Safe Schools Act Grant - State Department of Education	N/A	(2)	50,988
Child Care Assistance Program - State Department of Human Services	N/A	(2)	27,821
Families First Grant - State Department of Education	N/A	(2)	9,531
Family Resource Center Grant - State Department of Education	N/A	(2)	<u>66,600</u>
Total State Grants			<u>\$ 461,838</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.

Hamblen County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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 Hamblen County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.04(A.,B)	203	The office had accounting deficiencies
05.05	204	Collections were not deposited properly

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	204	A central system of accounting, budgeting, and purchasing had not been adopted
05.07	205	Duties were not segregated adequately in the Offices of Trustee and Sheriff

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**HAMBLEN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Hamblen County is unqualified.
2. The audit of the financial statements of Hamblen County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Hamblen County.
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 Food Donation (Noncash Assistance) (CFDA No. 10.550), the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Improving Teacher Quality State Grants (CFDA No. 84.367) 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. Hamblen County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the director of schools 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.

### **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.01      THE SCHOOL FEDERAL PROJECTS FUND HAD AN UNRESERVED FUND BALANCE DEFICIT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Federal Projects Fund had an unreserved fund balance deficit of \$23,488 at June 30, 2006. This fund deficit occurred in part because School Department personnel had not requested reimbursements for grant funds on a timely basis. Certain receivables reflected on the general ledger at June 30, 2006, were not received within the department's 60-day availability period after year-end. The amounts of these receivables have been deferred in the financial statements of this report, creating a portion of the fund deficit. As of the date of this report, funds have been received to liquidate this deficit.

### **RECOMMENDATION**

Requests for reimbursements of grant funds should be filed on a timely basis.

### **MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS**

Due to a delay in the reporting of monthly financial data, we were unable to request funds to be received within 60 days of the close of the fiscal year. In the future, we will insure that financial data is prepared, and funds are requested in a timely manner.

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### **OFFICE OF CLERK AND MASTER**

**FINDING 06.02      A DEPOSITORY WAS NOT REQUIRED TO ADEQUATELY COLLATERALIZE FUNDS THAT EXCEEDED FDIC COVERAGE**  
(Noncompliance Under Government Auditing Standards)

The clerk and master did not require one depository to pledge securities to protect funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2006, a deposit held at this depository exceeded FDIC coverage by \$69,197. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of funds exceeding FDIC coverage. Subsequent to

June 30, 2006, the clerk and master transferred a portion of this deposit to a separate depository to ensure adequate FDIC coverage.

**RECOMMENDATION**

The clerk should require all depositories to pledge adequate securities to protect funds exceeding FDIC coverage as required by state statute.

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**OFFICE OF SHERIFF**

**FINDING 06.03      **THE OFFICE HAD ACCOUNTING DEFICIENCIES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

The following accounting deficiencies were noted:

- A. Accounting activity was not maintained on an official cash journal. A computerized spreadsheet was maintained to summarize the receipts and checks issued for the Records Department. However, transactions of the work release and sex offender programs were not included on the spreadsheet.
- B. Formal bank reconciliations were not performed; therefore, errors were not discovered and corrected timely.

**RECOMMENDATION**

A double-entry cash journal should be maintained to record all financial activity of the office. Monthly bank statements should be reconciled with the general ledger, and any errors noted should be corrected promptly.

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**FINDING 06.04      **COLLECTIONS WERE NOT DEPOSITED PROPERLY**  
(Noncompliance Under Government Auditing Standards)**

On several occasions, the Sheriff's Department did not deposit collections to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection.

**RECOMMENDATION**

To strengthen internal controls over cash collections and deposits, the Sheriff's Department should deposit all funds intact within three days of collection.

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**FINDING 06.05      AN ANNUAL FINANCIAL REPORT WAS NOT FILED  
(Noncompliance Under Government Auditing Standards)**

The sheriff did not file an annual financial report as required by Section 5-8-505, Tennessee Code Annotated. This statute requires all county officials having public funds in their charge or custody to file an annual financial report with the county mayor and county clerk.

**RECOMMENDATION**

An annual financial report should be filed with the county mayor and county clerk as required by state statute.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.06      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

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

**RECOMMENDATION**

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

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**FINDING 06.07      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE AND SHERIFF  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Duties were not segregated adequately in the Offices of Trustee and Sheriff. Officials and employees responsible for maintaining the accounting records of these offices 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.

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

There were no findings and questioned costs for federal programs.

**HAMBLEN COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2006**

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