

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

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

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

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

HAWKINS COUNTY, TENNESSEE

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Audit Highlights

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

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hawkins County as of and for the year ended June 30, 2006.

Results

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

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

Findings

The following are summaries of the audit findings:

HAWKINS COUNTY

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

OTHER FINDINGS

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

INTRODUCTORY SECTION

Hawkins County Officials

June 30, 2006

Officials

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

Board of County Commissioners

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

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 20, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 43, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Hawkins County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hawkins County, Tennessee, as of June 30, 2006, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2006, on our consideration of Hawkins County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 47 through 53 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hawkins County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor

fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the typed name.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,806	\$ 58,806
Equity in Pooled Cash and Investments	1,365,278	755,463	2,514,755	4,924,547	183,712	1,614,937	11,358,692
Accounts Receivable	27,701	4,363	11,596	25,810	1,200	8,232	78,902
Due from Other Governments	794,210	356,504	0	0	0	80,932	1,231,646
Due from Other Funds	34,372	0	0	0	0	61,362	95,734
Property Taxes Receivable	5,740,534	1,325,348	734,545	1,688,661	0	0	9,489,088
Allowance for Uncollectible Property Taxes	(263,908)	(60,917)	(33,799)	(77,720)	0	0	(436,344)
Prepaid Items	144,629	307	0	0	0	0	144,936
Total Assets	\$ 7,842,816	\$ 2,381,068	\$ 3,227,097	\$ 6,561,298	\$ 184,912	\$ 1,824,269	\$ 22,021,460
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 30,045	\$ 31,908	\$ 0	\$ 0	\$ 0	\$ 35,644	\$ 97,597
Accrued Payroll	20,201	0	0	0	0	0	20,201
Contracts Payable	0	0	0	0	0	54,339	54,339
Retainage Payable	2,259	0	0	0	8,350	0	10,609
Due to Other Funds	42,441	21,301	0	0	0	31,992	95,734
Due to Component Units	10,830	0	0	0	0	5,142	15,972
Due to State of Tennessee	7,913	0	0	0	0	0	7,913
Deferred Revenue - Current Property Taxes	5,252,697	1,212,755	672,037	1,544,911	0	0	8,682,400
Deferred Revenue - Delinquent Property Taxes	208,154	48,036	26,687	61,378	0	0	344,255
Other Deferred Revenues	663,297	166,436	0	0	0	1,600	831,333
Total Liabilities	\$ 6,237,837	\$ 1,480,436	\$ 698,724	\$ 1,606,289	\$ 8,350	\$ 128,717	\$ 10,160,353
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 345,691	\$ 22,300	\$ 0	\$ 0	\$ 6,244	\$ 69,019	\$ 443,254
Reserved for Alcohol and Drug Treatment	191,311	0	0	0	0	0	191,311
Reserved for Sexual Offender Registration	1,960	0	0	0	0	0	1,960
Reserved for Courtroom Security	48	0	0	0	0	0	48
Reserved for Computer System - Register	103,511	0	0	0	0	0	103,511
Reserved for Automation Purposes - Circuit Court	25,385	0	0	0	0	0	25,385

Exhibit A

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

	Major Funds				Nonmajor	Total	
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects		Other Govern- mental Funds
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Chancery Court	\$ 4,167	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,167
Reserved for Automation Purposes - Sheriff	14,811	0	0	0	0	0	14,811
Unreserved, Reported In:							
General Fund	918,095	0	0	0	0	0	918,095
Special Revenue Funds	0	878,332	0	0	0	264,317	1,142,649
Debt Service Funds	0	0	2,528,373	4,955,009	0	1,391,946	8,875,328
Capital Projects Funds (Deficit)	0	0	0	0	170,318	(29,730)	140,588
Total Fund Balances	<u>\$ 1,604,979</u>	<u>\$ 900,632</u>	<u>\$ 2,528,373</u>	<u>\$ 4,955,009</u>	<u>\$ 176,562</u>	<u>\$ 1,695,552</u>	<u>\$ 11,861,107</u>
Total Liabilities and Fund Balances	<u>\$ 7,842,816</u>	<u>\$ 2,381,068</u>	<u>\$ 3,227,097</u>	<u>\$ 6,561,298</u>	<u>\$ 184,912</u>	<u>\$ 1,824,269</u>	<u>\$ 22,021,460</u>

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

Exhibit B

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

	Major Funds					Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 7,245,657	\$ 1,362,198	\$ 664,752	\$ 1,965,561	\$ 0	\$ 339,457	\$ 11,577,625
Licenses and Permits	26,406	0	0	0	0	0	26,406
Fines, Forfeitures, and Penalties	292,648	0	0	0	0	175,561	468,209
Charges for Current Services	107,484	0	0	0	0	147,676	255,160
Other Local Revenues	37,136	47,790	312,416	654,570	10,834	51,731	1,114,477
Fees Received from County Officials	1,880,107	0	0	0	0	0	1,880,107
State of Tennessee	724,127	2,212,029	0	0	0	481,700	3,417,856
Federal Government	289,580	0	0	0	0	105,533	395,113
Other Governments and Citizens Groups	28,628	0	0	233,019	0	56,835	318,482
Total Revenues	\$ 10,631,773	\$ 3,622,017	\$ 977,168	\$ 2,853,150	\$ 10,834	\$ 1,358,493	\$ 19,453,435
<u>Expenditures</u>							
Current:							
General Government	\$ 1,467,172	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,467,172
Finance	1,005,462	0	0	0	0	0	1,005,462
Administration of Justice	621,484	0	0	0	0	142,434	763,918
Public Safety	4,181,876	0	0	0	0	131,180	4,313,056
Public Health and Welfare	568,676	0	0	0	0	1,008,157	1,576,833
Social, Cultural, and Recreational Services	372,227	0	0	0	0	0	372,227
Agricultural and Natural Resources	116,213	0	0	0	0	0	116,213
Other Operations	1,640,061	0	0	0	0	0	1,640,061
Highways	38,864	3,607,352	0	0	0	0	3,646,216
Capital Outlay	0	0	0	0	1,905,511	0	1,905,511
Debt Service:							
Principal on Debt	168,481	0	325,000	898,967	1,100,000	305,000	2,797,448
Interest on Debt	15,465	0	47,903	1,140,033	20,185	70,029	1,293,615
Other Debt Service	0	0	20,464	110,674	221,611	4,117	356,866
Capital Projects	0	0	0	0	1,276,573	1,106,754	2,383,327
Total Expenditures	\$ 10,195,981	\$ 3,607,352	\$ 393,367	\$ 2,149,674	\$ 4,523,880	\$ 2,767,671	\$ 23,637,925
Excess (Deficiency) of Revenues Over Expenditures	\$ 435,792	\$ 14,665	\$ 583,801	\$ 703,476	\$ (4,513,046)	\$ (1,409,178)	\$ (4,184,490)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,100,000	\$ 500,000	\$ 1,600,000

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Capital Leases Issued	\$ 22,597	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,597
Other Loans Issued	60,000	0	0	0	3,547,307	0	3,607,307
Transfers In	0	0	0	0	0	1,134,483	1,134,483
Transfers Out	(924,000)	(210,483)	0	0	0	0	(1,134,483)
Total Other Financing Sources (Uses)	\$ (841,403)	\$ (210,483)	\$ 0	\$ 0	\$ 4,647,307	\$ 1,634,483	\$ 5,229,904
Net Change in Fund Balances	\$ (405,611)	\$ (195,818)	\$ 583,801	\$ 703,476	\$ 134,261	\$ 225,305	\$ 1,045,414
Fund Balance, July 1, 2005	2,010,590	1,096,450	1,944,572	4,251,533	42,301	1,470,247	10,815,693
Fund Balance, June 30, 2006	\$ 1,604,979	\$ 900,632	\$ 2,528,373	\$ 4,955,009	\$ 176,562	\$ 1,695,552	\$ 11,861,107

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

Exhibit C

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 5,692,982
Equity in Pooled Cash and Investments	59,990
Accounts Receivable	1,156
Due from Other Governments	571,985
Property Taxes Receivable	1,145,299
Allowance for Uncollectible Property Taxes	<u>(52,656)</u>
Total Assets	<u>\$ 7,418,756</u>
<u>LIABILITIES</u>	
Due to Cities	\$ 491,019
Due to Other Taxing Units	1,233,599
Due to Litigants, Heirs, and Others	<u>5,694,138</u>
Total Liabilities	<u>\$ 7,418,756</u>

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

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

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

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

The Hawkins County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hawkins County, and the Hawkins County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission’s approval.

The Hawkins County School Department and the Hawkins County Emergency Communications District issue separate financial statements from those of the county. The School Department’s financial statements are published as a separate report, but under the same cover as the county’s financial statements. The Hawkins County Emergency Communications District’s financial statements are published as a separate report. Complete financial statements of the Hawkins County Emergency Communications District can be obtained from its administrative offices at the following address:

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

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

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

Fund financial statements of Hawkins County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. 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. Fiduciary funds in total are reported in a single column.

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

Hawkins County reports the following major governmental funds:

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

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

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

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

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

Additionally, Hawkins County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Hawkins County, and the city school systems’ shares of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Hawkins County and Hawkins County School Department funds. Each fund’s portion of this pool is displayed on the

balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the debt service funds. Hawkins County and the Hawkins County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.45 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not

available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the General Fund and the General Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the appropriate governmental fund.

3. Prepaid Items

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

4. Capital Assets

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

5. Compensated Absences

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

6. Long-term Obligations

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

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

7. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2006.

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Sheriff	\$ 43,369
Employees' Vacation Pay	25,000

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted and the capital project 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, Beer Board, Budget and Finance Committee, 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 statement.

B. Fund Deficit

The Community Development/Industrial Park Fund (nonmajor governmental fund) had an undesignated fund deficit of \$29,730 at June 30, 2006. This fund deficit resulted from outstanding purchase orders for infrastructure improvements of \$59,430, being reserved as encumbrances. Funding for these future expenditures is expected to be received from contributions and state grants.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hawkins County and the Hawkins County School Department participate in an internal cash and investment pool through the Office of Trustee. The Hawkins County School Department meets the criteria for a discretely presented component unit of Hawkins County. Since Hawkins County is presenting fund financial statements only, the financial information for the Hawkins County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements 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 the purposes of credit risk disclosure.

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2006.

B. Construction Commitments

At June 30, 2006, the Community Development/Industrial Park Fund had uncompleted construction contracts of approximately \$59,430 for infrastructure improvements. Funding for these future expenditures is expected to be received from contributions and state grants.

C. 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
General	Highway/Public Works	\$ 2,380
General	Nonmajor governmental	31,992
Nonmajor governmental	General	42,441
Nonmajor governmental	Highway/Public Works	18,921

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

Due to/from primary government and component unit:

Receivable Fund	Payable Fund	Amount
Component unit -		
School Department:	Primary government:	
School Transportation	General	\$ 10,830
School Transportation	Nonmajor governmental	5,142

Interfund Transfers:

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

Transfers Out	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 924,000
Highway/Public Works Fund	<u>210,483</u>
Total	<u>\$ 1,134,483</u>

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

D. Capital Leases

On December 2, 2005, Hawkins County entered into a five-year lease-purchase agreement for a vehicle for the industrial development board.

The terms of the agreement require total lease payments of \$22,597 plus interest of 6.45 percent. Title to the vehicle transfers to Hawkins County at the end of the lease period. The lease payments are made by the General Fund.

Hawkins County entered into a capital lease agreement in prior years to finance the acquisition of vehicles. The agreement provided for an original term of three years and an interest rate of 4.76 percent. Title to the vehicles transfers to Hawkins County at the end of the lease period.

Since Hawkins County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Hawkins County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 148,420
2008	5,271
2009	5,271
2010	5,271
2011	<u>2,197</u>
Total Minimum Lease Payments	\$ 166,430
Amounts Representing Interest	<u>(9,574)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 156,856</u>

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 17 years for bonds, up to 10 years for notes, and up to 30 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the General Fund, General Debt Service Fund, Special Debt Service Fund, or the Education Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds -			
Refunding	3 to 5 %	\$ 13,520,000	\$ 12,000,000
Capital Outlay Notes	0 to 4.4	5,992,999	3,713,170
Other Loans - Fixed by Swap	3.533	16,000,000	16,000,000
Other Loans	variable	13,075,000	1,912,996
Capital Leases	4.76 to 6.45	552,030	156,856

Hawkins County entered into loan agreements with the Sevier County Public Building Authority. These loan agreements provide for the authority to make \$29,075,000 available for loan to Hawkins County on an as-needed basis for various construction and renovation projects of the county and the School Department. As of June 30, 2006, Hawkins County had borrowed \$17,912,996. The loans are repayable at a variable interest rate that is a function of the Bond Market Association Index with the rates changing daily and weekly. In addition, the county pays various other fees (broker/dealer, administrator, trustee, auction agent, and issuer) in connection with these loans. A portion of the loans (\$16,000,000) was swapped for a synthetic fixed rate by execution of a swap agreement in the current year. The following table summarizes the loan agreements outstanding, including the variable rates and other fees, as of June 30, 2006.

Description	Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Rate as of 6-30-06	Fees on Variable Rate Debt
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Sevier County Public

Building Authority

				Variable fixed -		
Series V-B-1	\$ 16,000,000	\$ 16,000,000		by Swap	3.835 %	0.4535 %
Series D-5-D	4,175,000	1,498,932	(1)	variable	3.91	0.4237
Series D-7-B	8,900,000	414,064	(2)	variable	3.91	0.4237

(1) \$2,676,068 remains available for future draws under this agreement at June 30, 2006.

(2) \$8,485,936 remains available for future draws under this agreement at June 30, 2006.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, including interest payments and estimated other loan fees, are presented in the following table. Amounts reflected for other loans are based on the outstanding principal of \$17,912,996. Interest payments included in the table for the variable rate issues are computed based on the rates in effect at June 30, 2006.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 715,000	\$ 541,994	\$ 957,192	\$ 123,766
2008	740,000	515,181	942,192	92,747
2009	775,000	481,881	651,192	60,170
2010	800,000	450,881	497,594	40,435
2011	830,000	416,881	415,000	22,938
2012-2016	4,730,000	1,499,549	250,000	7,775
2017-2019	3,410,000	337,863	0	0
Total	\$ 12,000,000	\$ 4,244,230	\$ 3,713,170	\$ 347,831

Year Ending June 30	Other Loans (\$16,000,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 0	\$ 613,600	\$ 72,556	\$ 686,156
2008	0	613,600	72,556	686,156
2009	0	613,600	72,556	686,156
2010	0	613,600	72,556	686,156
2011	0	613,600	72,556	686,156
2012-2016	0	3,068,000	362,780	3,430,780
2017-2021	2,600,000	3,019,104	356,998	5,976,102
2022-2026	7,750,000	2,003,788	236,939	9,990,727
2026-2029	5,650,000	440,066	52,036	6,142,102
Total	\$ 16,000,000	\$ 11,598,958	\$ 1,371,533	\$ 28,970,491

Year Ending June 30	Other Loans (\$4,175,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 0	\$ 58,608	\$ 6,350	\$ 64,958
2008	0	58,608	6,350	64,958
2009	0	58,608	6,350	64,958
2010	0	58,608	6,350	64,958
2011	0	58,608	6,350	64,958
2012-2016	0	293,040	31,750	324,790
2017-2021	0	293,040	31,750	324,790
2022-2026	0	293,040	31,750	324,790
2027-2031	450,000	293,040	31,750	774,790
2032-2036	1,048,932	55,634	6,028	1,110,594
Total	\$ 1,498,932	\$ 1,520,834	\$ 164,778	\$ 3,184,544

Year Ending June 30	Other Loans (\$8,900,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 75,000	\$ 16,190	\$ 1,754	\$ 92,944
2008	100,000	13,257	1,436	114,693
2009	239,064	9,347	1,013	249,424
Total	\$ 414,064	\$ 38,794	\$ 4,203	\$ 457,061

There is \$8,875,328 available in the debt service funds to service long-term debt. Bonded debt per capita amounted to \$224, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to \$631, based on the 2000 federal census.

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

Objective of the interest rate swap: 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 \$16 million Series V-B-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 of 3.5325 percent and receives a variable payment computed as 59 percent of the one-month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$16 million and the associated variable-rate bond has a \$16 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series V-B-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, 2029. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.533 %
Variable payment from counterparty	59% of LIBOR+ 0.35%	<u>-3.498</u>
Net interest rate swap payments		0.035 %
Variable-rate bond coupon payments		<u>3.8</u>
Synthetic interest rate on bonds		<u><u>3.835 %</u></u>

Fair value. As of June 30, 2006, the swap had a negative fair value of \$1,771. 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, using the zero coupon method.

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. 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 if BMA increases to above 59 percent of LIBOR plus 35 basis points, 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 basis points, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 3.533 percent and the synthetic rate on the bonds of 3.835 percent as of June 30, 2006. Also, as of June 30, 2006, the variable rate paid on the bonds was 3.8 percent, whereas 59 percent of LIBOR plus 35 basis points was 3.498 percent.

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 as indicated in the chart on page 37. 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	\$ 608,000	\$ 5,600	\$ 613,600
2008	0	608,000	5,600	613,600
2009	0	608,000	5,600	613,600
2010	0	608,000	5,600	613,600
2011	0	608,000	5,600	613,600
2012-2016	0	3,040,000	28,000	3,068,000
2017-2021	2,600,000	2,991,550	27,554	5,619,104
2022-2027	9,550,000	2,200,200	20,265	11,770,465
2028-2029	3,850,000	221,350	2,039	4,073,389
Total	\$ 16,000,000	\$ 11,493,100	\$ 105,858	\$ 27,598,958

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 12,695,000	\$ 4,047,137	\$ 302,740
Additions	0	1,600,000	22,597
Deductions	(695,000)	(1,933,967)	(168,481)
Balance, June 30, 2006	\$ 12,000,000	\$ 3,713,170	\$ 156,856
Balance Due Within One Year	\$ 715,000	\$ 957,192	\$ 140,732

	Other Loans	Compensated Absences
Balance, July 1, 2005	\$ 14,305,689	\$ 348,830
Additions	3,607,307	271,797
Deductions	0	(261,562)
Balance, June 30, 2006	\$ 17,912,996	\$ 359,065
Balance Due Within One Year	\$ 75,000	\$ 269,236

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

IV. OTHER INFORMATION

A. Risk Management

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

B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. 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. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

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 Hawkins 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 Hawkins County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. 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. Hawkins County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Hawkins County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. 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. Hawkins County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Hawkins County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On August 31, 2006, Ben Jones left the Office of Road Superintendent and was succeeded by Lowell Bean, and Warren Rimer left the Office of Sheriff and was succeeded by Roger Christian.

On June 26, 2006, the County Commission authorized the issuance of tax anticipation notes to provide temporary operating funds; however, as of the date of this report the notes have not been issued.

D. Contingent Liabilities

Hawkins County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts (ADA). This lawsuit applies to the Hawkins County Courthouse. Hawkins County has reached a settlement agreement with the defendant that requires the county to complete alterations to the Hawkins County Courthouse within five years of the effective date of the

agreement (February 23, 2010). Hawkins County issued debt to complete the alterations to the courthouse as required by the agreement.

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

E. Change in Administration

On September 30, 2005, Jerry Stewart left the Office of Trustee and was succeeded by Patricia Courtney.

F. Joint Ventures

The Hawkins County Library System (formerly the H.B. Stamps Memorial Library) is funded by joint contributions from Hawkins County and the towns of Rogersville, Church Hill, and Mount Carmel. The Hawkins County Library System is managed by a seven-member board, of whom three are appointed by the Hawkins County Commission, three are appointed by the respective towns, and one member at large is jointly appointed. Hawkins County contributed \$94,000 to the operations of the library during the year ended June 30, 2006.

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District; Greene, Hamblen, Hancock, and Hawkins Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hawkins County made no contributions to the DTF for the year ended June 30, 2006.

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

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

Administrative Offices:

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

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

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

G. Jointly Governed Organization

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center manager as an ex officio member, is in charge of the daily operation of the center.

H. Retirement Commitments

Plan Description

Employees of Hawkins County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the

age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hawkins County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hawkins County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 6.82 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hawkins County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2006, Hawkins County's annual pension cost of \$819,930 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hawkins County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 14 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$819,930	100%	\$0
6-30-05	800,560	100	0
6-30-04	512,976	100	0

Required Supplementary Information
Schedule of Funding Progress for Hawkins County

(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	\$30,088	\$30,832	\$744	97.59%	\$11,614	6.41%
6-30-03	27,077	27,894	817	97.07	11,146	7.33
6-30-01	24,491	25,428	937	96.32	10,025	9.35

I. Other Post-employment Benefits

In addition to the retirement commitments described above, Hawkins County provides post-retirement health care benefits to general government employees who retire from the county and who meet at least one of the eligibility requirements as set forth by the Local Government Group Insurance Program for Local Government Employees. Currently, eight retirees meet those eligibility requirements. The county pays 65 percent of medical premiums for the retiree until age 65 or until such time as they become Medicare-eligible. Expenditures for post-retirement health care benefits are recognized as premiums are paid. During the year, expenditures totaling \$29,289 (General Fund) and \$2,140 (Highway/Public Works Fund) were recognized for post-employment health care.

J. Purchasing Laws

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hawkins County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 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	
Revenues							
Local Taxes	\$ 7,245,657	\$ 0	\$ 0	\$ 7,245,657	\$ 6,965,003	\$ 6,982,403	\$ 263,254
Licenses and Permits	26,406	0	0	26,406	24,500	24,500	1,906
Fines, Forfeitures, and Penalties	292,648	0	0	292,648	241,400	241,400	51,248
Charges for Current Services	107,484	0	0	107,484	97,630	97,630	9,854
Other Local Revenues	37,136	0	0	37,136	103,700	105,699	(68,563)
Fees Received from County Officials	1,880,107	0	0	1,880,107	1,770,000	1,770,000	110,107
State of Tennessee	724,127	0	0	724,127	858,192	1,135,182	(411,055)
Federal Government	289,580	0	0	289,580	559,373	715,962	(426,382)
Other Governments and Citizens Groups	28,628	0	0	28,628	27,469	33,042	(4,414)
Total Revenues	\$ 10,631,773	\$ 0	\$ 0	\$ 10,631,773	\$ 10,647,267	\$ 11,105,818	\$ (474,045)
Expenditures							
General Government							
County Commission	\$ 60,059	\$ 0	\$ 0	\$ 60,059	\$ 76,750	\$ 76,750	\$ 16,691
Board of Equalization	5,074	0	0	5,074	4,500	4,500	(574)
Beer Board	700	0	0	700	2,500	2,500	1,800
Budget and Finance Committee	4,150	0	0	4,150	4,350	4,350	200
County Mayor/Executive	266,341	(3,803)	6,920	269,458	276,362	276,362	6,904
County Attorney	24,106	0	0	24,106	24,706	24,706	600
Election Commission	237,238	(468)	236,558	473,328	282,610	483,869	10,541
Register of Deeds	184,461	(2,712)	1,810	183,559	220,874	220,874	37,315
Planning	13,180	0	0	13,180	14,125	14,125	945
County Buildings	305,597	(194)	44,005	349,408	364,055	376,896	27,488
Other General Administration	362,725	(2,167)	3,114	363,672	385,081	381,100	17,428
Preservation of Records	3,541	(1,378)	0	2,163	2,214	6,214	4,051
Finance							
Property Assessor's Office	283,813	(131)	48	283,730	290,200	291,134	7,404

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>							
Reappraisal Program	\$ 107,539	\$ 0	\$ 0	\$ 107,539	\$ 119,990	\$ 119,990	\$ 12,451
County Trustee's Office	192,103	(9,500)	0	182,603	194,214	194,214	11,611
County Clerk's Office	422,007	(4,341)	5,485	423,151	437,627	439,296	16,145
<u>Administration of Justice</u>							
Circuit Court Clerk	335,347	0	948	336,295	350,864	357,760	21,465
Criminal Court	10,309	0	0	10,309	10,000	10,000	(309)
General Sessions Court	176,308	0	426	176,734	170,898	178,898	2,164
Chancery Court	23,442	(125)	955	24,272	30,476	30,476	6,204
Juvenile Court	76,078	0	0	76,078	83,475	83,475	7,397
<u>Public Safety</u>							
Sheriff's Department	1,916,927	0	80	1,917,007	2,128,679	1,959,026	42,019
Drug Enforcement	6,600	0	0	6,600	6,600	6,600	0
Jail	1,128,731	0	11,580	1,140,311	1,006,360	1,159,873	19,562
Juvenile Services	161,606	(3,174)	4,921	163,353	166,197	178,297	14,944
Fire Prevention and Control	195,000	0	0	195,000	195,000	195,000	0
Rescue Squad	111,250	(45,000)	0	66,250	100,000	100,000	33,750
Other Emergency Management	556,509	(1,000)	156	555,665	570,301	768,568	212,903
County Coroner/Medical Examiner	56,312	0	0	56,312	48,400	53,800	(2,512)
Other Public Safety	48,941	(1,338)	0	47,603	52,143	52,143	4,540
<u>Public Health and Welfare</u>							
Local Health Center	266,238	(13,520)	18,062	270,780	309,724	316,099	45,319
Ambulance/Emergency Medical Services	60,000	0	0	60,000	60,000	60,000	0
Dental Health Program	14,729	0	0	14,729	15,000	15,000	271
Other Local Health Services	221,215	0	0	221,215	440,668	440,668	219,453
Aid to Dependent Children	6,494	0	0	6,494	6,500	6,500	6

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>Social, Cultural, and Recreational Services</u>							
Adult Activities	\$ 2,000	\$ 0	\$ 0	\$ 2,000	\$ 2,000	\$ 2,000	\$ 0
Senior Citizens Assistance	214,303	0	0	214,303	225,387	225,387	11,084
Libraries	99,000	0	0	99,000	99,000	99,000	0
Parks and Fair Boards	56,924	(7,395)	0	49,529	88,933	88,933	39,404
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	77,138	0	0	77,138	84,111	84,111	6,973
Forest Service	1,500	0	0	1,500	1,500	1,500	0
Soil Conservation	31,925	0	0	31,925	31,925	31,925	0
Flood Control	0	0	0	0	5,000	5,000	5,000
Storm Water Management	5,650	0	0	5,650	12,500	12,500	6,850
<u>Other Operations</u>							
Tourism	1,500	0	0	1,500	1,500	1,500	0
Industrial Development	305,033	(365)	2,089	306,757	309,186	336,751	29,994
Airport	38,965	(33,726)	4,565	9,804	48,911	48,911	39,107
Veterans' Services	55,619	(71)	48	55,596	58,561	58,561	2,965
Contributions to Other Agencies	27,500	0	0	27,500	27,500	27,500	0
Employee Benefits	1,002,985	0	0	1,002,985	1,049,544	1,049,544	46,559
Miscellaneous	208,459	(13,360)	3,921	199,020	250,591	238,591	39,571
<u>Highways</u>							
Litter and Trash Collection	38,864	0	0	38,864	39,115	39,115	251
<u>Principal on Debt</u>							
General Government	168,481	0	0	168,481	0	168,485	4
<u>Interest on Debt</u>							
General Government	15,465	0	0	15,465	0	15,468	3
Total Expenditures	\$ 10,195,981	\$ (143,768)	\$ 345,691	\$ 10,397,904	\$ 10,786,707	\$ 11,423,845	\$ 1,025,941

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 435,792	\$ 143,768	\$ (345,691)	\$ 233,869	\$ (139,440)	\$ (318,027)	\$ 551,896
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 22,597	\$ 0	\$ 0	\$ 22,597	\$ 0	\$ 22,597	\$ 0
Other Loans Issued	60,000	0	0	60,000	0	60,000	0
Transfers Out	(924,000)	0	0	(924,000)	(924,000)	(924,000)	0
Total Other Financing Sources (Uses)	\$ (841,403)	\$ 0	\$ 0	\$ (841,403)	\$ (924,000)	\$ (841,403)	\$ 0
Net Change in Fund Balance	\$ (405,611)	\$ 143,768	\$ (345,691)	\$ (607,534)	\$ (1,063,440)	\$ (1,159,430)	\$ 551,896
Fund Balance, July 1, 2005	2,010,590	(143,768)	0	1,866,822	1,788,412	1,849,604	17,218
Fund Balance, June 30, 2006	\$ 1,604,979	\$ 0	\$ (345,691)	\$ 1,259,288	\$ 724,972	\$ 690,174	\$ 569,114

Exhibit D-2

Hawkins County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 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	
Revenues							
Local Taxes	\$ 1,362,198	\$ 0	\$ 0	\$ 1,362,198	\$ 1,340,980	\$ 1,340,980	\$ 21,218
Other Local Revenues	47,790	0	0	47,790	0	0	47,790
State of Tennessee	2,212,029	0	0	2,212,029	2,265,498	2,265,498	(53,469)
Total Revenues	\$ 3,622,017	\$ 0	\$ 0	\$ 3,622,017	\$ 3,606,478	\$ 3,606,478	\$ 15,539
Expenditures							
Highways							
Administration	\$ 150,424	\$ (2,166)	\$ 1,700	\$ 149,958	\$ 156,403	\$ 154,653	\$ 4,695
Highway and Bridge Maintenance	2,211,407	0	0	2,211,407	2,389,584	2,371,864	160,457
Operation and Maintenance of Equipment	472,236	(1,350)	0	470,886	452,917	548,367	77,481
Other Charges	148,114	(40)	1,200	149,274	152,500	158,000	8,726
Employee Benefits	252,607	0	0	252,607	271,500	259,000	6,393
Capital Outlay	372,564	(2,942)	19,400	389,022	537,214	566,214	177,192
Total Expenditures	\$ 3,607,352	\$ (6,498)	\$ 22,300	\$ 3,623,154	\$ 3,960,118	\$ 4,058,098	\$ 434,944
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,665	\$ 6,498	\$ (22,300)	\$ (1,137)	\$ (353,640)	\$ (451,620)	\$ 450,483
Other Financing Sources (Uses)							
Transfers Out	\$ (210,483)	\$ 0	\$ 0	\$ (210,483)	\$ (214,000)	\$ (214,000)	\$ 3,517
Total Other Financing Sources (Uses)	\$ (210,483)	\$ 0	\$ 0	\$ (210,483)	\$ (214,000)	\$ (214,000)	\$ 3,517
Net Change in Fund Balance	\$ (195,818)	\$ 6,498	\$ (22,300)	\$ (211,620)	\$ (567,640)	\$ (665,620)	\$ 454,000
Fund Balance, July 1, 2005	1,096,450	(6,498)	0	1,089,952	1,039,359	1,089,951	1
Fund Balance, June 30, 2006	\$ 900,632	\$ 0	\$ (22,300)	\$ 878,332	\$ 471,719	\$ 424,331	\$ 454,001

HAWKINS 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 Hawkins County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the Hawkins County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The 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 statement.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Debt Service Fund

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

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

Capital Projects Funds

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for grants to fund infrastructure improvements and capital expansions of local industries.

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the remaining amount of the HOME Investment Partnerships Program.

Exhibit E-1

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	Special Debt Service	Community Development/ Industrial Park	Other Capital Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 58,806	\$ 58,806	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,806
Equity in Pooled Cash and Investments	107,794	125,522	0	233,316	1,374,164	5,457	2,000	7,457	1,614,937
Accounts Receivable	3,042	8	0	3,050	0	5,182	0	5,182	8,232
Due from Other Governments	7,532	0	0	7,532	0	73,400	0	73,400	80,932
Due from Other Funds	43,580	0	0	43,580	17,782	0	0	0	61,362
Total Assets	\$ 161,948	\$ 125,530	\$ 58,806	\$ 346,284	\$ 1,391,946	\$ 84,039	\$ 2,000	\$ 86,039	\$ 1,824,269
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 33,644	\$ 0	\$ 0	\$ 33,644	\$ 0	\$ 0	\$ 2,000	\$ 2,000	\$ 35,644
Contracts Payable	0	0	0	0	0	54,339	0	54,339	54,339
Due to Other Funds	0	5,935	26,057	31,992	0	0	0	0	31,992
Due to Component Units	5,142	0	0	5,142	0	0	0	0	5,142
Other Deferred Revenues	1,600	0	0	1,600	0	0	0	0	1,600
Total Liabilities	\$ 40,386	\$ 5,935	\$ 26,057	\$ 72,378	\$ 0	\$ 54,339	\$ 2,000	\$ 56,339	\$ 128,717
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 9,589	\$ 0	\$ 0	\$ 9,589	\$ 0	\$ 59,430	\$ 0	\$ 59,430	\$ 69,019
Unreserved (Deficit)	111,973	119,595	32,749	264,317	1,391,946	(29,730)	0	(29,730)	1,626,533
Total Fund Balances	\$ 121,562	\$ 119,595	\$ 32,749	\$ 273,906	\$ 1,391,946	\$ 29,700	\$ 0	\$ 29,700	\$ 1,695,552
Total Liabilities and Fund Balances	\$ 161,948	\$ 125,530	\$ 58,806	\$ 346,284	\$ 1,391,946	\$ 84,039	\$ 2,000	\$ 86,039	\$ 1,824,269

Exhibit E-2

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total		Special Debt Service	Community Development/ Industrial Park	Highway Capital Projects	
Revenues									
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 339,457	\$ 0	\$ 0	\$ 0	\$ 339,457
Fines, Forfeitures, and Penalties	0	175,561	0	175,561	0	0	0	0	175,561
Charges for Current Services	523	4,463	142,690	147,676	0	0	0	0	147,676
Other Local Revenues	51,731	0	0	51,731	0	0	0	0	51,731
State of Tennessee	28,077	0	0	28,077	0	453,623	0	453,623	481,700
Federal Government	0	2,434	0	2,434	0	103,099	0	103,099	105,533
Other Governments and Citizens Groups	0	0	0	0	0	56,835	0	56,835	56,835
Total Revenues	\$ 80,331	\$ 182,458	\$ 142,690	\$ 405,479	\$ 339,457	\$ 613,557	\$ 0	\$ 613,557	\$ 1,358,493
Expenditures									
Current:									
Administration of Justice	\$ 0	\$ 0	\$ 142,434	\$ 142,434	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,434
Public Safety	0	131,030	150	131,180	0	0	0	0	131,180
Public Health and Welfare	1,008,157	0	0	1,008,157	0	0	0	0	1,008,157
Debt Service:									
Principal on Debt	0	0	0	0	305,000	0	0	0	305,000
Interest on Debt	0	0	0	0	70,029	0	0	0	70,029
Other Debt Service	0	0	0	0	4,117	0	0	0	4,117
Capital Projects	0	0	0	0	0	606,754	500,000	1,106,754	1,106,754
Total Expenditures	\$ 1,008,157	\$ 131,030	\$ 142,584	\$ 1,281,771	\$ 379,146	\$ 606,754	\$ 500,000	\$ 1,106,754	\$ 2,767,671
Excess (Deficiency) of Revenues Over Expenditures									
	\$ (927,826)	\$ 51,428	\$ 106	\$ (876,292)	\$ (39,689)	\$ 6,803	\$ (500,000)	\$ (493,197)	\$ (1,409,178)
Other Financing Sources (Uses)									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 500,000	\$ 500,000
Transfers In	924,000	0	0	924,000	210,483	0	0	0	1,134,483
Total Other Financing Sources (Uses)	\$ 924,000	\$ 0	\$ 0	\$ 924,000	\$ 210,483	\$ 0	\$ 500,000	\$ 500,000	\$ 1,634,483
Net Change in Fund Balances									
Fund Balance, July 1, 2005	\$ (3,826)	\$ 51,428	\$ 106	\$ 47,708	\$ 170,794	\$ 6,803	\$ 0	\$ 6,803	\$ 225,305
	125,388	68,167	32,643	226,198	1,221,152	22,897	0	22,897	1,470,247
Fund Balance, June 30, 2006	\$ 121,562	\$ 119,595	\$ 32,749	\$ 273,906	\$ 1,391,946	\$ 29,700	\$ 0	\$ 29,700	\$ 1,695,552

Exhibit E-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 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>							
Charges for Current Services	\$ 523	\$ 0	\$ 0	\$ 523	\$ 500	\$ 500	\$ 23
Other Local Revenues	51,731	0	0	51,731	40,000	40,000	11,731
State of Tennessee	28,077	0	0	28,077	58,359	58,359	(30,282)
Total Revenues	<u>\$ 80,331</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,331</u>	<u>\$ 98,859</u>	<u>\$ 98,859</u>	<u>\$ (18,528)</u>
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 7,899	\$ 0	\$ 0	\$ 7,899	\$ 8,870	\$ 8,870	\$ 971
Waste Pickup	222,026	(1,638)	7,286	227,674	219,497	227,997	323
Convenience Centers	297,647	(396)	703	297,954	336,139	327,639	29,685
Other Waste Collection	18,951	0	0	18,951	20,527	20,527	1,576
Recycling Center	44,768	(966)	0	43,802	124,503	124,503	80,701
Landfill Operation and Maintenance	396,349	0	0	396,349	397,670	397,670	1,321
Other Waste Disposal	20,517	(2,500)	1,600	19,617	22,359	22,359	2,742
Total Expenditures	<u>\$ 1,008,157</u>	<u>\$ (5,500)</u>	<u>\$ 9,589</u>	<u>\$ 1,012,246</u>	<u>\$ 1,129,565</u>	<u>\$ 1,129,565</u>	<u>\$ 117,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (927,826)</u>	<u>\$ 5,500</u>	<u>\$ (9,589)</u>	<u>\$ (931,915)</u>	<u>\$ (1,030,706)</u>	<u>\$ (1,030,706)</u>	<u>\$ 98,791</u>
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 924,000	\$ 0	\$ 0	\$ 924,000	\$ 924,000	\$ 924,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 924,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 924,000</u>	<u>\$ 924,000</u>	<u>\$ 924,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (3,826)	\$ 5,500	\$ (9,589)	\$ (7,915)	\$ (106,706)	\$ (106,706)	\$ 98,791
Fund Balance, July 1, 2005	125,388	(5,500)	0	119,888	126,561	119,889	(1)
Fund Balance, June 30, 2006	<u>\$ 121,562</u>	<u>\$ 0</u>	<u>\$ (9,589)</u>	<u>\$ 111,973</u>	<u>\$ 19,855</u>	<u>\$ 13,183</u>	<u>\$ 98,790</u>

Exhibit E-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 175,561	\$ 42,800	\$ 117,500	\$ 58,061
Charges for Current Services	4,463	0	4,462	1
Federal Government	2,434	0	2,434	0
Total Revenues	<u>\$ 182,458</u>	<u>\$ 42,800</u>	<u>\$ 124,396</u>	<u>\$ 58,062</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 131,030	\$ 72,267	\$ 153,863	\$ 22,833
Total Expenditures	<u>\$ 131,030</u>	<u>\$ 72,267</u>	<u>\$ 153,863</u>	<u>\$ 22,833</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 51,428	\$ (29,467)	\$ (29,467)	\$ 80,895
Net Change in Fund Balance	\$ 51,428	\$ (29,467)	\$ (29,467)	\$ 80,895
Fund Balance, July 1, 2005	68,167	82,474	68,168	(1)
Fund Balance, June 30, 2006	<u>\$ 119,595</u>	<u>\$ 53,007</u>	<u>\$ 38,701</u>	<u>\$ 80,894</u>

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 339,457	\$ 334,500	\$ 334,500	\$ 4,957
Total Revenues	\$ 339,457	\$ 334,500	\$ 334,500	\$ 4,957
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Highways and Streets	\$ 305,000	\$ 305,000	\$ 305,000	\$ 0
<u>Interest on Debt</u>				
Highways and Streets	70,029	61,229	70,029	0
<u>Other Debt Service</u>				
Highways and Streets	4,117	4,700	4,652	535
Total Expenditures	\$ 379,146	\$ 370,929	\$ 379,681	\$ 535
Excess (Deficiency) of Revenues Over Expenditures	\$ (39,689)	\$ (36,429)	\$ (45,181)	\$ 5,492
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 210,483	\$ 215,000	\$ 215,000	\$ (4,517)
Total Other Financing Sources (Uses)	\$ 210,483	\$ 215,000	\$ 215,000	\$ (4,517)
Net Change in Fund Balance	\$ 170,794	\$ 178,571	\$ 169,819	\$ 975
Fund Balance, July 1, 2005	1,221,152	1,220,960	1,221,152	0
Fund Balance, June 30, 2006	\$ 1,391,946	\$ 1,399,531	\$ 1,390,971	\$ 975

Major Governmental Funds

Debt Service Funds

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

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

Education Debt Service Fund – The Education Debt Service Fund is used to account for the retirement of bonds, other loans, and notes issued for the construction and renovations of the county's schools and the purchase of capital assets.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hawkins County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

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

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

A. Reporting Entity

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

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 664,752	\$ 645,936	\$ 645,936	\$ 18,816
Other Local Revenues	312,416	170,000	260,000	52,416
Total Revenues	<u>\$ 977,168</u>	<u>\$ 815,936</u>	<u>\$ 905,936</u>	<u>\$ 71,232</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 325,000	\$ 339,400	\$ 339,400	\$ 14,400
<u>Interest on Debt</u>				
General Government	47,903	35,977	95,977	48,074
<u>Other Debt Service</u>				
General Government	20,464	14,500	31,500	11,036
Total Expenditures	<u>\$ 393,367</u>	<u>\$ 389,877</u>	<u>\$ 466,877</u>	<u>\$ 73,510</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 583,801</u>	<u>\$ 426,059</u>	<u>\$ 439,059</u>	<u>\$ 144,742</u>
Net Change in Fund Balance	\$ 583,801	\$ 426,059	\$ 439,059	\$ 144,742
Fund Balance, July 1, 2005	<u>1,944,572</u>	<u>1,944,143</u>	<u>1,944,573</u>	<u>(1)</u>
Fund Balance, June 30, 2006	<u>\$ 2,528,373</u>	<u>\$ 2,370,202</u>	<u>\$ 2,383,632</u>	<u>\$ 144,741</u>

Exhibit F-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,965,561	\$ 1,945,513	\$ 1,945,513	\$ 20,048
Other Local Revenues	654,570	340,000	555,000	99,570
Other Governments and Citizens Groups	233,019	0	233,019	0
Total Revenues	<u>\$ 2,853,150</u>	<u>\$ 2,285,513</u>	<u>\$ 2,733,532</u>	<u>\$ 119,618</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 898,967	\$ 700,193	\$ 898,968	\$ 1
<u>Interest on Debt</u>				
Education	1,140,033	1,066,319	1,170,563	30,530
<u>Other Debt Service</u>				
Education	110,674	129,000	131,000	20,326
Total Expenditures	<u>\$ 2,149,674</u>	<u>\$ 1,895,512</u>	<u>\$ 2,200,531</u>	<u>\$ 50,857</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 703,476</u>	<u>\$ 390,001</u>	<u>\$ 533,001</u>	<u>\$ 170,475</u>
Net Change in Fund Balance	\$ 703,476	\$ 390,001	\$ 533,001	\$ 170,475
Fund Balance, July 1, 2005	<u>4,251,533</u>	<u>4,246,606</u>	<u>4,251,532</u>	<u>1</u>
Fund Balance, June 30, 2006	<u>\$ 4,955,009</u>	<u>\$ 4,636,607</u>	<u>\$ 4,784,533</u>	<u>\$ 170,476</u>

Fiduciary Funds

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

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

City School ADA - Rogersville Fund and City School ADA - Kingsport Fund – These two funds are used to account for the city school systems' shares of education revenues collected by the county that must be apportioned between the various school systems on an average daily attendance basis. These collections are remitted to the city school systems on a monthly basis.

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

Exhibit G-1

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

	Agency Funds				Total
	Cities - Sales Tax	City School ADA - Rogersville	City School ADA - Kingsport	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 5,692,982	\$ 5,692,982
Equity in Pooled Cash and Investments	0	34,599	25,391	0	59,990
Accounts Receivable	0	0	0	1,156	1,156
Due from Other Governments	491,019	46,746	34,220	0	571,985
Property Taxes Receivable	0	661,395	483,904	0	1,145,299
Allowance for Uncollectible Property Taxes	0	(30,408)	(22,248)	0	(52,656)
Total Assets	<u>\$ 491,019</u>	<u>\$ 712,332</u>	<u>\$ 521,267</u>	<u>\$ 5,694,138</u>	<u>\$ 7,418,756</u>
<u>LIABILITIES</u>					
Due to Cities	\$ 491,019	\$ 0	\$ 0	\$ 0	\$ 491,019
Due to Other Taxing Units	0	712,332	521,267	0	1,233,599
Due to Litigants, Heirs, and Others	0	0	0	5,694,138	5,694,138
Total Liabilities	<u>\$ 491,019</u>	<u>\$ 712,332</u>	<u>\$ 521,267</u>	<u>\$ 5,694,138</u>	<u>\$ 7,418,756</u>

Exhibit G-2

Hawkins 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	\$ 0	\$ 3,181,916	\$ 3,181,916	\$ 0
Due From Other Governments	544,541	491,019	544,541	491,019
Total Assets	\$ 544,541	\$ 3,672,935	\$ 3,726,457	\$ 491,019
<u>Liabilities</u>				
Due to Cities	\$ 544,541	\$ 3,672,935	\$ 3,726,457	\$ 491,019
Total Liabilities	\$ 544,541	\$ 3,672,935	\$ 3,726,457	\$ 491,019
<u>City School ADA - Rogersville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 25,590	\$ 1,077,441	\$ 1,068,432	\$ 34,599
Due From Other Governments	47,838	46,746	47,838	46,746
Property Taxes Receivable	581,455	661,395	581,455	661,395
Allowance for Uncollectible Property Taxes	(24,767)	(30,408)	(24,767)	(30,408)
Total Assets	\$ 630,116	\$ 1,755,174	\$ 1,672,958	\$ 712,332
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 630,116	\$ 1,755,174	\$ 1,672,958	\$ 712,332
Total Liabilities	\$ 630,116	\$ 1,755,174	\$ 1,672,958	\$ 712,332
<u>City School ADA - Kingsport Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,820	\$ 795,747	\$ 772,176	\$ 25,391
Due From Other Governments	36,625	34,220	36,625	34,220
Property Taxes Receivable	445,159	483,904	445,159	483,904
Allowance for Uncollectible Property Taxes	(18,962)	(22,248)	(18,962)	(22,248)
Total Assets	\$ 464,642	\$ 1,291,623	\$ 1,234,998	\$ 521,267
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 464,642	\$ 1,291,623	\$ 1,234,998	\$ 521,267
Total Liabilities	\$ 464,642	\$ 1,291,623	\$ 1,234,998	\$ 521,267
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,611,684	\$ 12,334,680	\$ 9,253,382	\$ 5,692,982
Accounts Receivable	1,552	1,156	1,552	1,156
Total Assets	\$ 2,613,236	\$ 12,335,836	\$ 9,254,934	\$ 5,694,138

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,613,236	\$ 12,335,836	\$ 9,254,934	\$ 5,694,138
Total Liabilities	<u>\$ 2,613,236</u>	<u>\$ 12,335,836</u>	<u>\$ 9,254,934</u>	<u>\$ 5,694,138</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,611,684	\$ 12,334,680	\$ 9,253,382	\$ 5,692,982
Equity in Pooled Cash and Investments	27,410	5,055,104	5,022,524	59,990
Account Receivable	1,552	1,156	1,552	1,156
Due from Other Governments	629,004	571,985	629,004	571,985
Property Taxes Receivable	1,026,614	1,145,299	1,026,614	1,145,299
Allowance for Uncollectible Property Taxes	(43,729)	(52,656)	(43,729)	(52,656)
Total Assets	<u>\$ 4,252,535</u>	<u>\$ 19,055,568</u>	<u>\$ 15,889,347</u>	<u>\$ 7,418,756</u>
<u>Liabilities</u>				
Due to Cities	\$ 544,541	\$ 3,672,935	\$ 3,726,457	\$ 491,019
Due to Other Taxing Units	1,094,758	3,046,797	2,907,956	1,233,599
Due to Litigants, Heirs, and Others	2,613,236	12,335,836	9,254,934	5,694,138
Total Liabilities	<u>\$ 4,252,535</u>	<u>\$ 19,055,568</u>	<u>\$ 15,889,347</u>	<u>\$ 7,418,756</u>

MISCELLANEOUS SCHEDULES

Exhibit H-1

Hawkins County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 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>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Refunding Note - 2002	\$ 1,290,000	4 %	12-19-02	5-1-08	\$ 720,000	\$ 0	\$ 245,000	\$ 475,000
Sanitation Equipment	250,000	3 to 3.25	5-26-05	5-1-08	250,000	0	80,000	170,000
Total Payable through General Debt Service Fund					<u>\$ 970,000</u>	<u>\$ 0</u>	<u>\$ 325,000</u>	<u>\$ 645,000</u>
<u>Payable through Special Debt Service Fund</u>								
Hwy & Road Construction, & Repairs	750,000	4.25 to 4.4	7-26-01	8-1-11	\$ 525,000	\$ 0	\$ 75,000	\$ 450,000
Hwy & Road Construction, & Repairs	1,025,000	2 to 3.5	6-23-04	4-1-11	900,000	0	135,000	765,000
Refunding Note - 2004	570,000	2 to 3.35	6-23-04	4-1-10	475,000	0	95,000	380,000
Hwy & Road Construction, & Repairs	500,000	3.52	10-3-05	10-1-08	0	500,000	0	500,000
					<u>\$ 1,900,000</u>	<u>\$ 500,000</u>	<u>\$ 305,000</u>	<u>\$ 2,095,000</u>
<u>Payable through Education Debt Service Fund</u>								
EPA Asbestos Removal	532,999	0	Various	11-30-09	\$ 23,362	\$ 0	\$ 5,192	\$ 18,170
School Buses (1)	236,375	2.75	1-10-03	1-10-06	78,775	0	78,775	0
School Buses (1)	360,000	2 to 3	6-23-04	4-1-08	360,000	0	120,000	240,000
School Buses (1)	715,000	3 to 3.5	5-26-05	5-1-12	715,000	0	0	715,000
Total Payable through Education Debt Service Fund					<u>\$ 1,177,137</u>	<u>\$ 0</u>	<u>\$ 203,967</u>	<u>\$ 973,170</u>
<u>Payable through General Capital Projects Fund</u>								
Jail	1,100,000	3.67	8-30-05	3-9-06	\$ 0	\$ 1,100,000	\$ 1,100,000	\$ 0
Total Payable through General Capital Projects Fund					<u>\$ 0</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 0</u>
Total Notes Payable					<u>\$ 4,047,137</u>	<u>\$ 1,600,000</u>	<u>\$ 1,933,967</u>	<u>\$ 3,713,170</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Public Building Authority Loan Agreements:</u>								
<u>Payable through General Fund</u>								
Voting Machines - Series D-7-B	(3)	Variable	5-10-06	6-1-09	\$ 0	\$ 60,000	\$ 0	\$ 60,000
Total Payable through General Fund					<u>\$ 0</u>	<u>\$ 60,000</u>	<u>\$ 0</u>	<u>\$ 60,000</u>

(Continued)

Exhibit H-1

Hawkins County, Tennessee

Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Matured During Period	Outstanding 6-30-06
<u>OTHER LOANS PAYABLE (Cont.)</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center and Courthouse Improvements - Series D-5-D	(2)	Variable	12-28-05	6-1-36	\$ 0	\$ 1,498,932	\$ 0	\$ 1,498,932
Justice Center and Courthouse Improvements - Series D-7-B	(3)	Variable	5-10-06	6-1-31	0	142,864	0	142,864
Total Payable through General Debt Service Fund					\$ 0	\$ 1,641,796	\$ 0	\$ 1,641,796
<u>Payable through Education Debt Service Fund</u>								
School Building Program - Series V-B-1	\$ 16,000,000	(4)	6-4-03	6-1-29	\$ 14,305,689	\$ 1,694,311	\$ 0	\$ 16,000,000
School Buses - Series D-7-B (1)	(3)	Variable	5-10-06	6-1-09	0	211,200	0	211,200
Total Payable through Education Debt Service Fund					\$ 14,305,689	\$ 1,905,511	\$ 0	\$ 16,211,200
Total Other Loans Payable					\$ 14,305,689	\$ 3,607,307	\$ 0	\$ 17,912,996
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Voting Machines	290,000	5.65 %	2-15-1996	3-1-06	\$ 31,953	\$ 0	\$ 31,953	\$ 0
Phone System	18,137	17.51	12-15-00	3-15-06	3,701	0	3,701	0
Patrol Cars	529,433	4.76	4-8-03	7-1-06	267,086	0	130,441	136,645
Automobile - Industrial Development Board	22,597	6.45	12-2-05	11-8-10	0	22,597	2,386	20,211
Total Payable through General Fund					\$ 302,740	\$ 22,597	\$ 168,481	\$ 156,856
Total Capital Leases Payable					\$ 302,740	\$ 22,597	\$ 168,481	\$ 156,856
<u>BONDS PAYABLE</u>								
<u>Payable through Education Debt Service Fund</u>								
Refunding	13,520,000	3 to 5	2-26-02	5-19-19	\$ 12,695,000	\$ 0	\$ 695,000	\$ 12,000,000
Total Payable through Education Debt Service Fund					\$ 12,695,000	\$ 0	\$ 695,000	\$ 12,000,000
Total Bonds Payable					\$ 12,695,000	\$ 0	\$ 695,000	\$ 12,000,000

- (1) Funding for repayment of these notes and loan agreements is to be provided by the School Transportation Fund.
- (2) The total amount approved for draws under this loan agreement is \$4,175,000 of which \$1,498,932 has been drawn as of June 30, 2006.
- (3) The total amount approved for draws under the D-7-B loan agreement is \$8,900,000 of which \$414,064 has been drawn as of June 30, 2006.
- (4) The entire amount of the PBA Loan Series V-B-1 was swapped to a synthetic fixed rate by execution of a swap agreement during the current year.

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 715,000	\$ 541,994	\$ 1,256,994
2008	740,000	515,181	1,255,181
2009	775,000	481,881	1,256,881
2010	800,000	450,881	1,250,881
2011	830,000	416,881	1,246,881
2012	865,000	381,606	1,246,606
2013	905,000	342,681	1,247,681
2014	945,000	301,956	1,246,956
2015	985,000	259,431	1,244,431
2016	1,030,000	213,875	1,243,875
2017	1,085,000	164,950	1,249,950
2018	1,135,000	113,413	1,248,413
2019	1,190,000	59,500	1,249,500
Total	<u>\$ 12,000,000</u>	<u>\$ 4,244,230</u>	<u>\$ 16,244,230</u>

Exhibit H-3

Hawkins County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To transfer funds for operations	\$ 924,000
Highway/Public Works	Special Debt Service	For extinguishment of debt	<u>210,483</u>
Total Transfers			<u>\$ 1,134,483</u>

Exhibit H-4

Hawkins County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
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>	\$ 73,660	\$ 50,000	Ohio Casualty Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	67,150	100,000	"
Trustee:				
Jerry Stewart (7-1-05 to 9-30-05)	Section 8-24-102, <u>TCA</u>	15,262	1,457,200	"
Patricia Courtney (10-1-05 to 6-30-06)	Section 8-24-102, <u>TCA</u>	45,786	1,457,200	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,048	10,000	Ohio Farmers Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	61,048	50,000	Ohio Casualty Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	61,266 (1)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	78,040 (2)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	61,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	70,671 (3)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$218.

(2) Includes special commissioner fees of \$16,992.

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

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,025,150	\$ 0	\$ 0	\$ 0	\$ 1,159,649
Trustee's Collections - Prior Year	245,670	0	0	0	56,693
Circuit/Clerk & Master Collections - Prior Years	129,048	0	0	0	29,780
Interest and Penalty	44,046	0	0	0	10,164
Pick-up Taxes	22,350	0	0	0	5,158
Payments in-Lieu-of Taxes - T.V.A.	1,329	0	0	0	307
Payments in-Lieu-of Taxes - Other	5,176	0	0	0	1,194
<u>County Local Option Taxes</u>					
Local Option Sales Tax	865,291	0	0	0	0
Wheel Tax	339,457	0	0	0	0
Litigation Tax - General	158,690	0	0	0	0
Business Tax	211,078	0	0	0	0
Mineral Severance Tax	0	0	0	0	89,596
<u>Statutory Local Taxes</u>					
Bank Excise Tax	41,846	0	0	0	9,657
Wholesale Beer Tax	150,321	0	0	0	0
Interstate Telecommunications Tax	6,205	0	0	0	0
Total Local Taxes	\$ 7,245,657	\$ 0	\$ 0	\$ 0	\$ 1,362,198
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 24,538	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	1,868	0	0	0	0
Total Licenses and Permits	\$ 26,406	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 33,450	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	10,632	0	0	0	0
Drug Control Fines	17,218	0	14,859	0	0
Drug Court Fees	620	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Jail Fees	\$ 3,978	\$ 0	\$ 0	\$ 0	0
DUI Treatment Fines	800	0	0	0	0
Data Entry Fee - Circuit Court	2,638	0	0	0	0
Courtroom Security Fee	30	0	0	0	0
<u>General Sessions Court</u>					
Fines	57,985	0	0	0	0
Officers Costs	37,468	0	0	0	0
Game and Fish Fines	1,337	0	0	0	0
Drug Control Fines	20,631	0	21,796	0	0
Drug Court Fees	7,293	0	0	0	0
Jail Fees	63,042	0	0	0	0
DUI Treatment Fines	14,674	0	0	0	0
Data Entry Fee - General Sessions Court	7,662	0	0	0	0
Courtroom Security Fee	18	0	0	0	0
<u>Juvenile Court</u>					
Fines	1,602	0	0	0	0
Officers Costs	9,336	0	0	0	0
Game and Fish Fines	27	0	0	0	0
Jail Fees	47	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	980	0	0	0	0
Data Entry Fee - Chancery Court	1,180	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	138,906	0	0
Total Fines, Forfeitures, and Penalties	\$ 292,648	\$ 0	\$ 175,561	\$ 0	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 523	\$ 0	\$ 0	0
Work Release Charges for Board	32,607	0	0	0	0
<u>Fees</u>					
Recreation Fees	5,070	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Copy Fees	\$ 11,499	\$ 0	\$ 0	\$ 0	0
Telephone Commissions	29,831	0	0	0	0
Vending Machine Collections	82	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	125,480	0
Special Commissioner Fees/Special Master Fees	0	0	0	17,210	0
Data Processing Fee - Register	23,180	0	0	0	0
Data Processing Fee - Sheriff	4,335	0	0	0	0
Sexual Offender Registration Fees - Sheriff	880	0	0	0	0
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	4,463	0	0
Total Charges for Current Services	\$ 107,484	\$ 523	\$ 4,463	\$ 142,690	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	1,500	0	0	0	0
Sale of Gasoline	0	0	0	0	24,334
Sale of Recycled Materials	0	51,189	0	0	0
Miscellaneous Refunds	15,978	42	0	0	22,693
<u>Nonrecurring Items</u>					
Insurance Recovery	15,281	0	0	0	763
Sale of Equipment	0	0	0	0	0
Sale of Property	3,627	0	0	0	0
Damages Recovered from Individuals	0	500	0	0	0
Contributions & Gifts	750	0	0	0	0
Total Other Local Revenues	\$ 37,136	\$ 51,731	\$ 0	\$ 0	\$ 47,790
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Clerk and Master	\$ 35,000	\$ 0	\$ 0	\$ 0	0
<u>Fees-In-Lieu of Salary</u>					
County Clerk	441,558	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
Circuit Court Clerk	\$ 221,810	\$ 0	\$ 0	\$ 0	\$ 0
General Sessions Court Clerk	235,736	0	0	0	0
Register	294,541	0	0	0	0
Sheriff	22,082	0	0	0	0
Trustee	629,380	0	0	0	0
Total Fees Received from County Officials	\$ 1,880,107	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 17,100	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	5,560	0	0	0	0
Aging Programs	40,857	0	0	0	0
State Reappraisal Grant	22,849	0	0	0	0
Solid Waste Grants	0	28,077	0	0	0
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	206,681	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	215,969
Litter Program	36,704	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	35,101	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	61,184	0	0	0	0
Prisoner Transportation	1,092	0	0	0	0
Contracted Prisoner Boarding	259,407	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,952,972
Petroleum Special Tax	0	0	0	0	43,088
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	4,000	0	0	0	0
Total State of Tennessee	\$ 724,127	\$ 28,077	\$ 0	\$ 0	\$ 2,212,029

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Job Training Partnership Act	83,004	0	0	0	0
Homeland Security Grants	160,689	0	0	0	0
Other Federal through State	40,478	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	5,409	0	2,434	0	0
Total Federal Government	<u>\$ 289,580</u>	<u>\$ 0</u>	<u>\$ 2,434</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 1,678	\$ 0	\$ 0	\$ 0	\$ 0
<u>Citizens Groups</u>					
Donations	2,372	0	0	0	0
<u>Other</u>					
Other	24,578	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 28,628</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 10,631,773</u>	<u>\$ 80,331</u>	<u>\$ 182,458</u>	<u>\$ 142,690</u>	<u>\$ 3,622,017</u>

(Continued)

Exhibit H-5

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

	Debt Service Funds			Capital Projects Funds			Total
	General Debt Service	Special Debt Service	Education Debt Service	General Capital Projects	Community Development/ Industrial Park		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 644,254	\$ 0	\$ 1,481,775	\$ 0	\$ 0	\$ 8,310,828	
Trustee's Collections - Prior Year	6,299	0	72,441	0	0	381,103	
Circuit/Clerk & Master Collections - Prior Years	3,309	0	38,053	0	0	200,190	
Interest and Penalty	1,872	0	12,988	0	0	69,070	
Pick-up Taxes	2,819	0	6,590	0	0	36,917	
Payments in-Lieu-of Taxes - T.V.A.	170	0	392	0	0	2,198	
Payments in-Lieu-of Taxes - Other	664	0	1,526	0	0	8,560	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	0	0	865,291	
Wheel Tax	0	339,457	339,457	0	0	1,018,371	
Litigation Tax - General	0	0	0	0	0	158,690	
Business Tax	0	0	0	0	0	211,078	
Mineral Severance Tax	0	0	0	0	0	89,596	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	5,365	0	12,339	0	0	69,207	
Wholesale Beer Tax	0	0	0	0	0	150,321	
Interstate Telecommunications Tax	0	0	0	0	0	6,205	
Total Local Taxes	\$ 664,752	\$ 339,457	\$ 1,965,561	\$ 0	\$ 0	\$ 11,577,625	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,538	
<u>Permits</u>							
Beer Permits	0	0	0	0	0	1,868	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,406	
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,450	
Officers Costs	0	0	0	0	0	10,632	
Drug Control Fines	0	0	0	0	0	32,077	
Drug Court Fees	0	0	0	0	0	620	

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		<u>Total</u>
	<u>General Debt Service</u>	<u>Special Debt Service</u>	<u>Education Debt Service</u>	<u>General Capital Projects</u>	<u>Community Development/Industrial Park</u>	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Jail Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,978
DUI Treatment Fines	0	0	0	0	0	800
Data Entry Fee - Circuit Court	0	0	0	0	0	2,638
Courtroom Security Fee	0	0	0	0	0	30
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	57,985
Officers Costs	0	0	0	0	0	37,468
Game and Fish Fines	0	0	0	0	0	1,337
Drug Control Fines	0	0	0	0	0	42,427
Drug Court Fees	0	0	0	0	0	7,293
Jail Fees	0	0	0	0	0	63,042
DUI Treatment Fines	0	0	0	0	0	14,674
Data Entry Fee - General Sessions Court	0	0	0	0	0	7,662
Courtroom Security Fee	0	0	0	0	0	18
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	1,602
Officers Costs	0	0	0	0	0	9,336
Game and Fish Fines	0	0	0	0	0	27
Jail Fees	0	0	0	0	0	47
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	980
Data Entry Fee - Chancery Court	0	0	0	0	0	1,180
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	138,906
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	468,209
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	523
Work Release Charges for Board	0	0	0	0	0	32,607
<u>Fees</u>						
Recreation Fees	0	0	0	0	0	5,070

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		Total
	General Debt Service	Special Debt Service	Education Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Copy Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,499
Telephone Commissions	0	0	0	0	0	29,831
Vending Machine Collections	0	0	0	0	0	82
Constitutional Officers' Fees and Commissions	0	0	0	0	0	125,480
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	17,210
Data Processing Fee - Register	0	0	0	0	0	23,180
Data Processing Fee - Sheriff	0	0	0	0	0	4,335
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	880
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	0	0	0	4,463
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	255,160
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 312,416	\$ 0	\$ 654,570	\$ 0	\$ 0	966,986
Lease/Rentals	0	0	0	0	0	1,500
Sale of Gasoline	0	0	0	0	0	24,334
Sale of Recycled Materials	0	0	0	857	0	52,046
Miscellaneous Refunds	0	0	0	1,200	0	39,913
<u>Nonrecurring Items</u>						
Insurance Recovery	0	0	0	0	0	16,044
Sale of Equipment	0	0	0	8,777	0	8,777
Sale of Property	0	0	0	0	0	3,627
Damages Recovered from Individuals	0	0	0	0	0	500
Contributions & Gifts	0	0	0	0	0	750
Total Other Local Revenues	\$ 312,416	\$ 0	\$ 654,570	\$ 10,834	\$ 0	1,114,477
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	35,000
<u>Fees-In-Lieu of Salary</u>						
County Clerk	0	0	0	0	0	441,558

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		Total
	General Debt Service	Special Debt Service	Education Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees-In-Lieu of Salary (Cont.)</u>						
Circuit Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	221,810
General Sessions Court Clerk	0	0	0	0	0	235,736
Register	0	0	0	0	0	294,541
Sheriff	0	0	0	0	0	22,082
Trustee	0	0	0	0	0	629,380
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,880,107
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,100
Airport Maintenance Program	0	0	0	0	0	5,560
Aging Programs	0	0	0	0	0	40,857
State Reappraisal Grant	0	0	0	0	0	22,849
Solid Waste Grants	0	0	0	0	0	28,077
<u>Health and Welfare Grants</u>						
Other Health and Welfare Grants	0	0	0	0	0	206,681
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	215,969
Litter Program	0	0	0	0	0	36,704
Tennessee Industrial Infrastructure Program	0	0	0	0	453,623	453,623
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	35,101
Beer Tax	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	61,184
Prisoner Transportation	0	0	0	0	0	1,092
Contracted Prisoner Boarding	0	0	0	0	0	259,407
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,952,972
Petroleum Special Tax	0	0	0	0	0	43,088
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	4,000
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 0	453,623	\$ 3,417,856

(Continued)

Exhibit H-5

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

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		Total
	General Debt Service	Special Debt Service	Education Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	103,099	\$ 103,099
Job Training Partnership Act	0	0	0	0	0	83,004
Homeland Security Grants	0	0	0	0	0	160,689
Other Federal through State	0	0	0	0	0	40,478
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	7,843
Total Federal Government	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>103,099</u>	<u>\$ 395,113</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	233,019	\$ 0	56,835	\$ 291,532
<u>Citizens Groups</u>						
Donations	0	0	0	0	0	2,372
<u>Other</u>						
Other	0	0	0	0	0	24,578
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>233,019</u>	<u>\$ 0</u>	<u>56,835</u>	<u>\$ 318,482</u>
Total	<u>\$ 977,168</u>	<u>\$ 339,457</u>	<u>\$ 2,853,150</u>	<u>\$ 10,834</u>	<u>\$ 613,557</u>	<u>\$ 19,453,435</u>

Hawkins 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	\$	24,400	
Other Per Diem & Fees		10,501	
Audit Services		12,188	
Printing, Stationery, and Forms		198	
Travel		12,672	
Tuition		100	
Total County Commission			\$ 60,059

Board of Equalization

Board and Committee Members Fees	\$	4,900	
Travel		174	
Total Board of Equalization			5,074

Beer Board

Board and Committee Members Fees	\$	700	
Total Beer Board			700

Budget and Finance Committee

Board and Committee Members Fees	\$	4,150	
Total Budget and Finance Committee			4,150

County Mayor/Executive

County Official/Administrative Officer	\$	73,660	
Accountants/Bookkeepers		163,635	
Part-time Personnel		836	
Communication		2,024	
Maintenance Agreements		9,756	
Rentals		4,507	
Travel		3,290	
Office Supplies		7,228	
Data Processing Equipment		1,019	
Office Equipment		386	
Total County Mayor/Executive			266,341

County Attorney

County Official/Administrative Officer	\$	24,106	
Total County Attorney			24,106

Election Commission

Supervisor/Director	\$	54,943	
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(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Deputy(ies)	\$	73,001	
Overtime Pay		4,270	
Election Commission		11,105	
Election Workers		28,818	
Communication		3,930	
Dues and Memberships		250	
Operating Lease Payments		4,642	
Legal Notices, Recording, and Court Costs		9,007	
Maintenance & Repair Services - Office Equipment		8,785	
Rentals		631	
Travel		9,138	
Other Contracted Services		7,809	
Office Supplies		8,363	
Other Charges		213	
Other Equipment		12,333	
Total Election Commission			\$ 237,238

Register of Deeds

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		85,124	
Part-time Personnel		3,689	
Communication		3,173	
Dues and Memberships		135	
Rentals		3,280	
Maintenance and Repair Services - Records		4,000	
Other Contracted Services		20,580	
Office Supplies		2,381	
Office Equipment		1,051	
Total Register of Deeds			184,461

Planning

Board and Committee Members Fees	\$	1,680	
Contracts with Government Agencies		11,500	
Total Planning			13,180

County Buildings

Supervisor/Director	\$	24,588	
Custodial Personnel		55,122	
Part-time Personnel		1,980	
Other Salaries & Wages		840	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Communication	\$	706	
Contracts with Government Agencies		15,382	
Janitorial Services		4,647	
Laundry Service		2,052	
Maintenance & Repair Services - Buildings		5,240	
Maintenance & Repair Services - Equipment		1,062	
Maintenance & Repair Services - Office Equipment		445	
Maintenance & Repair Services - Vehicles		1,483	
Pest Control		2,782	
Rentals		13,377	
Travel		76	
Other Contracted Services		6,507	
Custodial Supplies		7,980	
Gasoline		1,380	
Office Supplies		71	
Small Tools		600	
Utilities		147,389	
Other Supplies and Materials		7,485	
Other Charges		230	
Building Improvements		1,536	
Office Equipment		194	
Other Equipment		2,443	
Total County Buildings			\$ 305,597

Other General Administration

Dues and Memberships	\$	10,847	
Legal Notices, Recording, and Court Costs		1,707	
Maintenance Agreements		7,194	
Postal Charges		49,688	
Other Contracted Services		1,998	
Duplicating Supplies		3,929	
Building and Contents Insurance		2,377	
Liability Insurance		183,552	
Premiums on Corporate Surety Bonds		3,157	
Workers' Compensation Insurance		92,314	
Liability Claims		5,587	
Other Charges		375	
Total Other General Administration			362,725

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records

Communication	\$	489	
Other Supplies and Materials		<u>3,052</u>	
Total Preservation of Records	\$		3,541

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		157,829	
Communication		2,072	
Data Processing Services		19,300	
Dues and Memberships		460	
Legal Notices, Recording, and Court Costs		58	
Maintenance Agreements		1,260	
Maintenance & Repair Services - Office Equipment		190	
Maintenance & Repair Services - Vehicles		2,194	
Rentals		2,000	
Travel		3,360	
Other Contracted Services		28,060	
Gasoline		2,456	
Office Supplies		2,180	
Other Supplies and Materials		239	
Other Charges		50	
Office Equipment		<u>1,057</u>	
Total Property Assessor's Office			283,813

Reappraisal Program

Supervisor/Director	\$	34,291	
Deputy(ies)		45,670	
Data Processing Services		7,087	
Maintenance Agreements		8,559	
Postal Charges		8,457	
Travel		217	
Office Supplies		1,119	
Other Supplies and Materials		147	
Other Capital Outlay		<u>1,992</u>	
Total Reappraisal Program			107,539

County Trustee's Office

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		74,039	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Temporary Personnel	\$	28,042	
Communication		4,272	
Dues and Memberships		160	
Legal Services		9,835	
Legal Notices, Recording, and Court Costs		344	
Maintenance & Repair Services - Office Equipment		5,064	
Travel		884	
Permits		160	
Office Supplies		4,043	
Other Capital Outlay		4,212	
Total County Trustee's Office			\$ 192,103

County Clerk's Office

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		290,833	
Part-time Personnel		16,667	
Other Salaries & Wages		1,669	
Other Per Diem & Fees		200	
Communication		10,137	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		41	
Maintenance & Repair Services - Office Equipment		16,548	
Rentals		4,750	
Travel		3,646	
Office Supplies		7,175	
Office Equipment		9,143	
Total County Clerk's Office			422,007

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	61,048	
Deputy(ies)		207,513	
Part-time Personnel		14,975	
Other Salaries & Wages		1,895	
Jury and Witness Fees		4,020	
Communication		7,215	
Dues and Memberships		120	
Legal Notices, Recording, and Court Costs		688	
Maintenance Agreements		6,928	
Maintenance & Repair Services - Office Equipment		206	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court Clerk (Cont.)

Rentals	\$	4,119	
Travel		1,816	
Office Supplies		14,732	
Other Supplies and Materials		2,969	
Other Charges		485	
Data Processing Equipment		5,752	
Office Equipment		866	
Total Circuit Court Clerk			\$ 335,347

Criminal Court

Jury and Witness Fees	\$	10,309	
Total Criminal Court			10,309

General Sessions Court

Judge(s)	\$	102,862	
Secretary(ies)		29,704	
Clerical Personnel		26,699	
Communication		1,148	
Dues and Memberships		50	
Maintenance & Repair Services - Office Equipment		438	
Rentals		1,641	
Travel		1,627	
Office Supplies		663	
Other Supplies and Materials		2,422	
Other Charges		7,913	
Other Capital Outlay		1,141	
Total General Sessions Court			176,308

Chancery Court

Communication	\$	1,428	
Maintenance & Repair Services - Office Equipment		210	
Rentals		2,925	
Office Supplies		4,411	
Office Equipment		14,468	
Total Chancery Court			23,442

Juvenile Court

Judge(s)	\$	23,690	
Secretary(ies)		24,925	
Clerical Personnel		24,260	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

In-Service Training	\$	1,710	
Dues and Memberships		465	
Travel		728	
Other Supplies and Materials		300	
Total Juvenile Court			\$ 76,078

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,152
Deputy(ies)		715,445
Detective(s)		197,105
Captain(s)		40,978
Lieutenant(s)		101,994
Sergeant(s)		184,212
Salary Supplements		21,709
Secretary(ies)		48,914
Part-time Personnel		37
Overtime Pay		73,407
Other Salaries & Wages		10,490
In-Service Training		13,822
Life Insurance		2,711
Medical Insurance		176,573
Communication		19,475
Dues and Memberships		300
Evaluation and Testing		815
Maintenance Agreements		4,226
Maintenance & Repair Services - Equipment		1,879
Maintenance & Repair Services - Vehicles		53,567
Rentals		3,765
Tow-in Services		2,170
Travel		336
Veterinary Services		50
Animal Food and Supplies		654
Drugs and Medical Supplies		322
Gasoline		106,222
Law Enforcement Supplies		3,683
Office Supplies		2,538
Tires and Tubes		11,785
Uniforms		14,252
Other Supplies and Materials		1,333

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Charges	\$	2,686	
Motor Vehicles		20,539	
Office Equipment		1,017	
Other Capital Outlay		10,764	
Total Sheriff's Department			\$ 1,916,927

Drug Enforcement

Salary Supplements	\$	6,600	
Total Drug Enforcement			6,600

Jail

Medical Personnel	\$	21,355	
Guards		333,621	
Cafeteria Personnel		32,671	
Part-time Personnel		21,542	
Overtime Pay		42,298	
Other Salaries & Wages		7,023	
In-Service Training		838	
Life Insurance		1,017	
Medical Insurance		56,382	
Communication		2,530	
Maintenance Agreements		1,900	
Maintenance & Repair Services - Buildings		28,497	
Maintenance & Repair Services - Equipment		3,309	
Medical and Dental Services		35,000	
Postal Charges		805	
Travel		4,578	
Custodial Supplies		12,418	
Drugs and Medical Supplies		70,918	
Food Preparation Supplies		7,604	
Food Supplies		100,259	
Office Supplies		2,587	
Prisoners Clothing		2,118	
Uniforms		245	
Utilities		35,415	
Other Supplies and Materials		16,255	
Liability Insurance		98	
Medical Claims		284,783	
Office Equipment		889	
Other Capital Outlay		1,776	
Total Jail			1,128,731

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Supervisor/Director	\$	30,245	
Youth Service Officer(s)		32,683	
Salary Supplements		7,006	
Communication		4,737	
Contracts with Other Public Agencies		77,039	
Maintenance & Repair Services - Office Equipment		1,969	
Maintenance & Repair Services - Vehicles		471	
Travel		1,842	
Gasoline		148	
Office Supplies		2,059	
Other Supplies and Materials		1,082	
Office Equipment		<u>2,325</u>	
Total Juvenile Services			\$ 161,606

Fire Prevention and Control

Contributions	\$	<u>195,000</u>	
Total Fire Prevention and Control			195,000

Rescue Squad

Contributions	\$	<u>111,250</u>	
Total Rescue Squad			111,250

Other Emergency Management

Supervisor/Director	\$	9,135	
Other Fringe Benefits		1,436	
Contributions		160,000	
Travel		1,000	
Office Supplies		8	
Other Equipment		<u>384,930</u>	
Total Other Emergency Management			556,509

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	14,560	
Contracts with Government Agencies		23,400	
Other Charges		<u>18,352</u>	
Total County Coroner/Medical Examiner			56,312

Other Public Safety

Supervisor/Director	\$	31,693	
Overtime Pay		1,183	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Communication	\$	1,045	
Maintenance & Repair Services - Vehicles		1,397	
Travel		210	
Gasoline		8,539	
Tires and Tubes		438	
Other Supplies and Materials		3,008	
Workers' Compensation Insurance		1,428	
Total Other Public Safety			\$ 48,941

Public Health and Welfare

Local Health Center

Salary Supplements	\$	21,927	
Other Salaries & Wages		121,990	
Other Fringe Benefits		41,976	
Communication		13,381	
Dues and Memberships		200	
Evaluation and Testing		8	
Operating Lease Payments		6,610	
Maintenance & Repair Services - Buildings		2,937	
Maintenance & Repair Services - Equipment		1,155	
Pest Control		1,078	
Postal Charges		9,500	
Travel		2,699	
Other Contracted Services		2,636	
Custodial Supplies		5,306	
Drugs and Medical Supplies		5,681	
Office Supplies		8,166	
Other Supplies and Materials		2,209	
Liability Insurance		196	
Other Charges		162	
Other Capital Outlay		18,421	
Total Local Health Center			266,238

Ambulance/Emergency Medical Services

Contributions	\$	60,000	
Total Ambulance/Emergency Medical Services			60,000

Dental Health Program

Other Salaries & Wages	\$	10,900	
Other Fringe Benefits		3,829	
Total Dental Health Program			14,729

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Other Salaries & Wages	\$	168,766	
Other Fringe Benefits		45,623	
Travel		6,227	
Other Supplies and Materials		599	
Total Other Local Health Services			\$ 221,215

Aid to Dependent Children

Other Charges	\$	6,494	
Total Aid to Dependent Children			6,494

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	2,000	
Total Adult Activities			2,000

Senior Citizens Assistance

Supervisor/Director	\$	22,584	
Social Workers		12,225	
Bus Drivers		19,149	
Secretary(ies)		19,531	
Other Salaries & Wages		19,887	
Other Fringe Benefits		11,293	
Communication		2,849	
Contracts with Government Agencies		39,556	
Contributions		40,000	
Maintenance & Repair Services - Vehicles		77	
Rentals		5,696	
Transportation - Other than Students		5,454	
Travel		2,155	
Other Contracted Services		2,778	
Custodial Supplies		500	
Gasoline		681	
Office Supplies		548	
Utilities		8,605	
Other Supplies and Materials		556	
Other Charges		94	
Other Capital Outlay		85	
Total Senior Citizens Assistance			214,303

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Contributions	\$ 99,000	
Total Libraries		\$ 99,000

Parks and Fair Boards

Custodial Personnel	\$ 16,808	
Temporary Personnel	21,992	
Communication	1,067	
Maintenance & Repair Services - Equipment	248	
Rentals	1,484	
Other Contracted Services	7,000	
Custodial Supplies	1,792	
Gasoline	1,575	
Water and Sewer	127	
Other Supplies and Materials	1,375	
Other Charges	833	
Other Capital Outlay	2,623	
Total Parks and Fair Boards		56,924

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 7,196	
Salary Supplements	52,178	
Part-time Personnel	5,472	
Other Fringe Benefits	1,455	
Communication	2,847	
Rentals	1,809	
Travel	1,112	
Other Charges	2,200	
Office Equipment	2,869	
Total Agriculture Extension Service		77,138

Forest Service

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

Soil Conservation

Clerical Personnel	\$ 21,185	
Part-time Personnel	7,240	
Contracts with Other Public Agencies	3,500	
Total Soil Conservation		31,925

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Storm Water Management

Part-time Personnel	\$	3,150	
Permits		<u>2,500</u>	
Total Storm Water Management			\$ 5,650

Other Operations

Tourism

Other Charges	\$	<u>1,500</u>	
Total Tourism			1,500

Industrial Development

Supervisor/Director	\$	54,782	
Secretary(ies)		24,482	
Part-time Personnel		13,939	
Other Salaries & Wages		78,042	
Other Fringe Benefits		13,844	
Accounting Services		2,300	
Advertising		748	
Communication		6,046	
Contributions		62,000	
Dues and Memberships		1,515	
Engineering Services		4,209	
Maintenance & Repair Services - Vehicles		631	
Rentals		978	
Travel		1,436	
Other Contracted Services		2,500	
Electricity		8,136	
Gasoline		3,837	
Office Supplies		763	
Other Supplies and Materials		373	
Other Charges		70	
Maintenance Equipment		1,320	
Motor Vehicles		22,597	
Office Equipment		<u>485</u>	
Total Industrial Development			305,033

Airport

Maintenance & Repair Services - Equipment	\$	5,508	
Permits		335	
Other Contracted Services		1,536	
Other Supplies and Materials		633	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Other Capital Outlay	\$ 30,953	
Total Airport		\$ 38,965

Veterans' Services

Supervisor/Director	\$ 27,998	
Secretary(ies)	24,038	
Communication	1,721	
Dues and Memberships	25	
Rentals	533	
Travel	1,030	
Office Supplies	274	
Total Veterans' Services		55,619

Contributions to Other Agencies

Contributions	\$ 27,500	
Total Contributions to Other Agencies		27,500

Employee Benefits

Social Security	\$ 320,701	
State Retirement	286,986	
Life Insurance	4,869	
Medical Insurance	381,613	
Unemployment Compensation	8,816	
Total Employee Benefits		1,002,985

Miscellaneous

Architects	\$ 501	
Contracts with Other Public Agencies	5,341	
Contributions	22,000	
Operating Lease Payments	750	
Legal Services	4,496	
Other Contracted Services	14,876	
Other Supplies and Materials	998	
Trustee's Commission	158,358	
Other Charges	1,139	
Total Miscellaneous		208,459

Highways

Litter and Trash Collection

Other Salaries & Wages	\$ 25,400	
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(Continued)

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

Other Fringe Benefits	\$	3,779	
Contracts with Other Public Agencies		8,000	
Other Supplies and Materials		<u>1,685</u>	
Total Litter and Trash Collection	\$		38,864

Principal on Debt

General Government

Principal on Capital Leases	\$	<u>168,481</u>	
Total General Government			168,481

Interest on Debt

General Government

Interest on Capital Leases	\$	<u>15,465</u>	
Total General Government			<u>15,465</u>

Total General Fund \$ 10,195,981

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	6,000	
Other Fringe Benefits		868	
Communication		530	
Dues and Memberships		100	
Uniforms		96	
Workers' Compensation Insurance		<u>305</u>	
Total Sanitation Management	\$		7,899

Waste Pickup

Truck Drivers	\$	81,543	
Overtime Pay		13,557	
Other Fringe Benefits		26,542	
Communication		158	
Maintenance & Repair Services - Vehicles		15,831	
Equipment and Machinery Parts		1,547	
Gasoline		53,710	
Lubricants		1,128	
Tires and Tubes		7,214	
Uniforms		192	
Vehicle Parts		9,067	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Other Supplies and Materials	\$	5,442	
Workers' Compensation Insurance		5,049	
Other Charges		34	
Other Capital Outlay		1,012	
Total Waste Pickup			\$ 222,026

Convenience Centers

Laborers	\$	170,778	
Overtime Pay		4,175	
Other Fringe Benefits		38,589	
Communication		4,810	
Operating Lease Payments		4,300	
Maintenance & Repair Services - Equipment		1,112	
Rentals		6,119	
Crushed Stone		2,878	
Uniforms		803	
Utilities		4,499	
Other Supplies and Materials		2,114	
Workers' Compensation Insurance		9,886	
Solid Waste Equipment		47,188	
Other Construction		396	
Total Convenience Centers			297,647

Other Waste Collection

Overtime Pay	\$	90	
Other Salaries & Wages		15,406	
Other Fringe Benefits		2,361	
Communication		30	
Uniforms		180	
Workers' Compensation Insurance		884	
Total Other Waste Collection			18,951

Recycling Center

Laborers	\$	10,829	
Overtime Pay		346	
Other Salaries & Wages		19,056	
Other Fringe Benefits		4,154	
Communication		558	
Maintenance & Repair Services - Equipment		868	
Gasoline		293	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Office Supplies	\$	116	
Uniforms		192	
Utilities		3,862	
Other Supplies and Materials		2,649	
Workers' Compensation Insurance		1,710	
Other Charges		135	
Total Recycling Center			\$ 44,768

Landfill Operation and Maintenance

Contracts for Landfill Facilities	\$	370,169	
Surcharge		26,180	
Total Landfill Operation and Maintenance			396,349

Other Waste Disposal

Disposal Fees	\$	20,517	
Total Other Waste Disposal			<u>20,517</u>

Total Solid Waste/Sanitation Fund \$ 1,008,157

Drug Control Fund

Public Safety

Drug Enforcement

Overtime Pay	\$	50,549	
Other Fringe Benefits		8,908	
Communication		2,213	
Confidential Drug Enforcement Payments		30,000	
Maintenance & Repair Services - Vehicles		10,049	
Tow-in Services		450	
Other Contracted Services		648	
Electricity		1,920	
Uniforms		144	
Other Supplies and Materials		6,486	
Liability Insurance		10,680	
Trustee's Commission		1,810	
Other Charges		5,183	
Other Capital Outlay		1,990	
Total Drug Enforcement			<u>\$ 131,030</u>

Total Drug Control Fund 131,030

(Continued)

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

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court

Special Commissioner Fees/Special Master Fees	\$ 218	
Total Circuit Court		\$ 218

Chancery Court

County Official/Administrative Officer	\$ 61,048	
Deputy(ies)	57,498	
Part-time Personnel	2,831	
Overtime Pay	2,556	
Special Commissioner Fees/Special Master Fees	16,992	
Dues and Memberships	305	
Travel	986	
Total Chancery Court		142,216

Public Safety

Sheriff's Department

Bank Charges	\$ 150	
Total Sheriff's Department		150

Total Constitutional Officers - Fees Fund \$ 142,584

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,150
Secretary(ies)	48,983
Communication	3,042
Dues and Memberships	2,978
Laundry Service	2,118
Legal Notices, Recording, and Court Costs	81
Maintenance Agreements	2,514
Maintenance & Repair Services - Equipment	124
Pest Control	376
Printing, Stationery, and Forms	301
Rentals	2,951
Custodial Supplies	1,411
Drugs and Medical Supplies	187
Electricity	7,092
Natural Gas	5,273
Office Supplies	1,938
Water and Sewer	465

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Charges	\$	1	
Office Equipment		3,386	
Other Equipment		53	
Total Administration			\$ 150,424

Highway and Bridge Maintenance

Foremen	\$	30,180	
Equipment Operators		301,149	
Truck Drivers		270,144	
Laborers		402,707	
Overtime Pay		23,295	
Laundry Service		10,164	
Rentals		10,138	
Other Contracted Services		441,353	
Asphalt - Hot Mix		50,219	
Asphalt - Liquid		289,420	
Concrete		3,984	
Crushed Stone		278,651	
Pipe - Metal		80,600	
Road Signs		11,208	
Structural Steel		720	
Wood Products		492	
Other Supplies and Materials		6,879	
Other Charges		104	
Total Highway and Bridge Maintenance			2,211,407

Operation and Maintenance of Equipment

Foremen	\$	32,343	
Mechanic(s)		53,433	
Laborers		25,792	
Overtime Pay		401	
Laundry Service		2,894	
Maintenance & Repair Services - Buildings		1,020	
Maintenance & Repair Services - Equipment		2,728	
Maintenance & Repair Services - Vehicles		11,410	
Rentals		926	
Tow-in Services		755	
Diesel Fuel		121,299	
Equipment and Machinery Parts		120,350	
Garage Supplies		938	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Gasoline	\$	63,506	
Lubricants		5,148	
Tires and Tubes		23,735	
Other Supplies and Materials		5,207	
Other Charges		351	
Total Operation and Maintenance of Equipment	\$		472,236

Other Charges

Evaluation and Testing	\$	5,484	
Trustee's Commission		48,781	
Workers' Compensation Insurance		92,562	
Other Charges		1,287	
Total Other Charges			148,114

Employee Benefits

Social Security	\$	94,889	
State Retirement		62,407	
Life Insurance		2,358	
Medical Insurance		78,638	
Unemployment Compensation		14,315	
Total Employee Benefits			252,607

Capital Outlay

Engineering Services	\$	15,000	
Bridge Construction		111,955	
Communication Equipment		2,368	
Highway Equipment		24,110	
State Aid Projects		218,911	
Other Capital Outlay		220	
Total Capital Outlay			372,564

Total Highway/Public Works Fund \$ 3,607,352

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	325,000	
Total General Government	\$		325,000

(Continued)

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 35,977	
Interest on Other Loans	11,926	
Total General Government	<u>47,903</u>	\$ 47,903

Other Debt Service

General Government

Fiscal Agent Charges	\$ 742	
Trustee's Commission	16,291	
Other Debt Issuance Charges	3,431	
Total General Government	<u>20,464</u>	<u>20,464</u>

Total General Debt Service Fund \$ 393,367

Special Debt Service Fund

Principal on Debt

Highways and Streets

Principal on Notes	\$ 305,000	
Total Highways and Streets	<u>305,000</u>	\$ 305,000

Interest on Debt

Highways and Streets

Interest on Notes	\$ 70,029	
Total Highways and Streets	<u>70,029</u>	70,029

Other Debt Service

Highways and Streets

Fiscal Agent Charges	\$ 754	
Trustee's Commission	3,363	
Total Highways and Streets	<u>4,117</u>	<u>4,117</u>

Total Special Debt Service Fund 379,146

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 695,000	
Principal on Notes	203,967	
Total Education	<u>898,967</u>	\$ 898,967

(Continued)

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

Education Debt Service Fund (Cont.)

Interest on Debt

Education

Interest on Notes	\$ 34,244	
Interest on Bonds	566,319	
Interest on Other Loans	<u>539,470</u>	
Total Education		\$ 1,140,033

Other Debt Service

Education

Fiscal Agent Charges	\$ 483	
Trustee's Commission	41,776	
Other Debt Service	<u>68,415</u>	
Total Education		<u>110,674</u>

Total Education Debt Service Fund \$ 2,149,674

General Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Contributions	\$ <u>1,905,511</u>	
Total Regular Capital Outlay		\$ 1,905,511

Principal on Debt

General Government

Principal on Notes	\$ <u>1,100,000</u>	
Total General Government		1,100,000

Interest on Debt

General Government

Interest on Notes	\$ <u>20,185</u>	
Total General Government		20,185

Other Debt Service

General Government

Underwriter's Discount	\$ 93,055	
Other Debt Issuance Charges	<u>128,556</u>	
Total General Government		221,611

Capital Projects

General Administration Projects

Architects	\$ <u>62,584</u>	
Total General Administration Projects		62,584

(Continued)

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

<u>General Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Public Safety Projects</u>		
Architects	\$ 12,430	
Engineering Services	4,200	
Other Contracted Services	12,190	
Other Supplies and Materials	432	
Other Charges	41,682	
Building Construction	83,500	
Land	<u>1,059,555</u>	
Total Public Safety Projects		\$ 1,213,989
Total General Capital Projects Fund		\$ 4,523,880
<u>Community Development/Industrial Park Fund</u>		
<u>Capital Projects</u>		
<u>Public Utility Projects</u>		
Other Contracted Services	\$ 5,900	
Total Public Utility Projects		\$ 5,900
<u>Other General Government Projects</u>		
Engineering Services	\$ 19,906	
Other Contracted Services	101,275	
Refunds	3,750	
Other Equipment	90,384	
Other Construction	<u>385,539</u>	
Total Other General Government Projects		<u>600,854</u>
Total Community Development/Industrial Park Fund		606,754
<u>Highway Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Highway & Street Capital Projects</u>		
Other Contracted Services	\$ 500,000	
Total Highway & Street Capital Projects		<u>\$ 500,000</u>
Total Highway Capital Projects Fund		<u>500,000</u>
Total Governmental Funds - Primary Government		<u>\$ 23,637,925</u>

Exhibit H-7

Hawkins County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balances - City Agency Funds
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund	City School ADA - Rogersville Fund	City School ADA - Kingsport Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 577,399	\$ 422,647	\$ 1,000,046
Trustee's Collections - Prior Years	0	28,347	20,967	49,314
Circuit/Clerk and Master Collections - Prior Year	0	13,868	10,300	24,168
Interest and Penalty	0	4,790	3,549	8,339
Pick-up Taxes	0	2,456	1,864	4,320
Payments in-Lieu-of Taxes - Other	0	563	431	994
Local Option Sales Tax	3,181,916	301,654	221,718	3,705,288
Wheel Tax	0	16,243	11,846	28,089
Bank Excise Tax	0	4,553	3,486	8,039
Interstate Telecommunications Tax	0	695	509	1,204
Marriage Licenses	0	402	293	695
Other Local Revenues	0	38	27	65
Contributions	0	126,433	98,110	224,543
Total Cash Receipts	\$ 3,181,916	\$ 1,077,441	\$ 795,747	\$ 5,055,104
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 3,150,097	\$ 1,052,796	\$ 760,711	\$ 4,963,604
Trustee's Commissions	31,819	15,636	11,465	58,920
Total Cash Disbursements	\$ 3,181,916	\$ 1,068,432	\$ 772,176	\$ 5,022,524
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ 9,009	\$ 23,571	\$ 32,580
Cash Balance, July 1, 2005	0	25,590	1,820	27,410
Cash Balance, June 30, 2006	\$ 0	\$ 34,599	\$ 25,391	\$ 59,990

ANNUAL FINANCIAL REPORT
HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

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

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

**HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
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Audit Highlights
Annual Financial Report
Hawkins County School Department
For the Year Ended June 30, 2006

Scope

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

Results

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

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

Finding

The following is a summary of the audit finding:

HAWKINS COUNTY SCHOOL DEPARTMENT

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

INTRODUCTORY SECTION

Hawkins County School Officials
June 30, 2006

Official

Edmund Clayton Armstrong, Director of Schools

Board of Education

Robert Stidham, Chairman
Ella Jo Bradley
Tammy Baird
Randall Collier

Perry Dykes
Glenda Davis
Charles Fuller

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

September 20, 2006

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department, a component unit of Hawkins County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Hawkins County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hawkins County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department as of June 30, 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 September 20, 2006, on our consideration of the Hawkins County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

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

As described in Note V.B., the Hawkins County School Department has adopted the provisions of Governmental Accounting Standards Board Statement No. 47, Accounting for Termination Benefits.

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

The budgetary comparison information on pages 41 through 45 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hawkins County, Tennessee
Statement of Net Assets
Hawkins County School Department
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 2,497
Equity in Pooled Cash and Investments	9,682,569
Accounts Receivable	17,969
Due from Other Governments	2,489,112
Due from Primary Government	15,972
Property Taxes Receivable	9,086,251
Allowance for Uncollectible Property Taxes	(417,682)
Capital Assets	
Assets Not Depreciated:	
Land	1,339,449
Construction in Progress	6,398,703
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	27,962,208
Other Capital Assets	2,052,190
Total Assets	<u>\$ 58,629,238</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 32,127
Accrued Payroll	1,380
Contracts Payable	93,918
Retainage Payable	76,178
Deferred Revenue - Current Year Property Taxes	8,314,199
Other Current Liabilities	971,478
Noncurrent Liabilities:	
Due Within One Year	642,036
Due in More Than One Year	1,570,615
Total Liabilities	<u>\$ 11,701,931</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 37,233,491
Restricted for:	
State and Federal Financial Assistance Programs	2,364,983
School Transportation	673,360
Unrestricted	6,655,473
Total Net Assets	<u>\$ 46,927,307</u>

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

Exhibit B

Hawkins County, Tennessee
Statement of Activities
Hawkins County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 30,719,765	\$ 0	\$ 3,797,829	\$ 1,469,768	\$ (25,452,168)
Support Services	16,371,919	402,910	125,000	211,326	(15,632,683)
Operation of Non-Instructional Services	3,440,108	1,278,791	2,190,153	0	28,836
Debt Service:					
Interest	32,732	0	0	0	(32,732)
Other Debt Service	233,471	0	0	0	(233,471)
Total Governmental Activities	<u>\$ 50,797,995</u>	<u>\$ 1,681,701</u>	<u>\$ 6,112,982</u>	<u>\$ 1,681,094</u>	<u>\$ (41,322,218)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 7,242,830
Property Taxes Levied for Transportation					1,317,852
Local Option Sales Taxes					3,474,177
Other Local Taxes					316,146
Grants and Contributions Not Restricted to Specific Programs					31,331,205
Miscellaneous					92,226
Gain on Disposal of Capital Assets					7,061
Total General Revenues					<u>\$ 43,781,497</u>
Change in Net Assets					\$ 2,459,279
Net Assets, July 1, 2005					<u>44,468,028</u>
Net Assets, June 30, 2006					<u>\$ 46,927,307</u>

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

Exhibit C-1

Hawkins County, Tennessee
Balance Sheet - Governmental Funds
Hawkins County School Department
June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,497	\$ 2,497
Equity in Pooled Cash and Investments	7,398,430	550,824	1,733,315	9,682,569
Accounts Receivable	11,422	6,337	210	17,969
Due from Other Governments	1,784,348	46,247	658,517	2,489,112
Due from Other Funds	15,018	19	782	15,819
Due from Primary Government	0	15,972	0	15,972
Property Taxes Receivable	7,685,073	1,401,178	0	9,086,251
Allowance for Uncollectible Property Taxes	(353,327)	(64,355)	0	(417,682)
Total Assets	<u>\$ 16,540,964</u>	<u>\$ 1,956,222</u>	<u>\$ 2,395,321</u>	<u>\$ 20,892,507</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 7,576	\$ 352	\$ 24,199	\$ 32,127
Accrued Payroll	1,351	29	0	1,380
Contracts Payable	93,918	0	0	93,918
Retainage Payable	76,178	0	0	76,178
Termination Benefits Payable - Current	166,225	0	0	166,225
Due to Other Funds	782	205	14,832	15,819
Other Current Liabilities	971,478	0	0	971,478
Deferred Revenue - Current Property Taxes	7,031,923	1,282,276	0	8,314,199
Deferred Revenue - Delinquent Property Taxes	278,700	50,704	0	329,404
Other Deferred Revenues	271,514	0	0	271,514
Total Liabilities	<u>\$ 8,899,645</u>	<u>\$ 1,333,566</u>	<u>\$ 39,031</u>	<u>\$ 10,272,242</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 215,990	\$ 211,262	\$ 24,358	\$ 451,610
Reserved for Vocational Projects	0	0	2,629	2,629
Reserved for Career Ladder - Extended Contract	8,693	0	0	8,693
Reserved for Title I Grants to Local Education Agencies	0	0	198,040	198,040
Reserved for Innovative Education Program Strategies	0	0	49	49
Reserved for Special Education - Grants to States	0	0	195,715	195,715
Other Federal Reserves	0	0	106,768	106,768
Unreserved, Reported In:				
General Fund	7,416,636	0	0	7,416,636
Special Revenue Funds	0	411,394	1,828,731	2,240,125
Total Fund Balances	<u>\$ 7,641,319</u>	<u>\$ 622,656</u>	<u>\$ 2,356,290</u>	<u>\$ 10,620,265</u>
Total Liabilities and Fund Balances	<u>\$ 16,540,964</u>	<u>\$ 1,956,222</u>	<u>\$ 2,395,321</u>	<u>\$ 20,892,507</u>

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

Exhibit C-2

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Hawkins County School Department
June 30, 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)		\$	10,620,265
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,339,449	
Add: construction in progress		6,398,703	
Add: buildings and improvements net of accumulated depreciation		27,962,208	
Add: other capital assets net of accumulated depreciation		<u>2,052,190</u>	37,752,550
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: capital leases payable	\$	(519,059)	
Less: compensated absences payable		(1,178,191)	
Less: termination benefits payable		<u>(349,176)</u>	(2,046,426)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>600,918</u>
Net assets of governmental activities (Exhibit A)		\$	<u>46,927,307</u>

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

Exhibit C-3

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>Govern-</u>	<u>Funds</u>
			<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	
<u>Revenues</u>				
Local Taxes	\$ 11,050,192	\$ 1,458,446	\$ 0	\$ 12,508,638
Licenses and Permits	4,648	0	0	4,648
Charges for Current Services	8,293	69,854	1,345,878	1,424,025
Other Local Revenues	245,172	289,050	57,559	591,781
State of Tennessee	29,667,602	639,811	41,300	30,348,713
Federal Government	1,046,757	0	5,771,430	6,818,187
Other Governments and Citizens Groups	0	211,326	1,469,768	1,681,094
Total Revenues	\$ 42,022,664	\$ 2,668,487	\$ 8,685,935	\$ 53,377,086
<u>Expenditures</u>				
Current:				
Instruction	\$ 27,639,937	\$ 0	\$ 3,208,180	\$ 30,848,117
Support Services	11,990,490	3,078,446	1,022,848	16,091,784
Operation of Non-Instructional Services	147,791	0	2,959,313	3,107,104
Capital Outlay	2,812,019	0	0	2,812,019
Debt Service:				
Principal on Debt	139,281	0	23,699	162,980
Interest on Debt	31,179	0	1,553	32,732
Other Debt Service	0	233,471	0	233,471
Capital Projects	0	0	771,117	771,117
Total Expenditures	\$ 42,760,697	\$ 3,311,917	\$ 7,986,710	\$ 54,059,324
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (738,033)	\$ (643,430)	\$ 699,225	\$ (682,238)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 6,385	\$ 0	\$ 0	\$ 6,385
Transfers Out	0	0	(6,385)	(6,385)
Total Other Financing Sources (Uses)	\$ 6,385	\$ 0	\$ (6,385)	\$ 0
Net Change in Fund Balances				
Fund Balance, July 1, 2005	\$ (731,648)	\$ (643,430)	\$ 692,840	\$ (682,238)
	8,372,967	1,266,086	1,663,450	11,302,503
Fund Balance, June 30, 2006	\$ 7,641,319	\$ 622,656	\$ 2,356,290	\$ 10,620,265

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

Exhibit C-4

Hawkins County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Hawkins County School Department
For the Year Ended June 30, 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)		\$	(682,238)
(1) Governmental funds report capital outlay 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 amount that capital outlays differs from depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	5,691,703	
Less: current year depreciation expense		<u>(2,244,231)</u>	3,447,472
(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	\$	7,061	
Less: proceeds received from disposal of capital assets		<u>(23,662)</u>	(16,601)
(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	\$	600,918	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(1,000,262)</u>	(399,344)
(4) The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.			
Add: principal payment on capital leases			162,980
(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	\$	(43,818)	
Change in termination benefits		<u>(9,172)</u>	<u>(52,990)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 2,459,279</u>

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

**HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the School Department:

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Hawkins County elect its board. The School Department is a component unit of Hawkins County, the primary government. 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.

B. Government-wide and Fund Financial Statements

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

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

Hawkins County issues debt for the School Department. Net debt issues (\$1,681,094) were contributed by Hawkins County to the School Department during the year ended June 30, 2006.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers 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.

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

The School Department reports the following major governmental funds:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

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

Additionally, the School Department reports the following fund type:

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize 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 Hawkins County Trustee maintains a cash and internal investment pool that is used by all funds of the primary government and the School Department. Each fund's portion of this pool is

displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's debt service funds. Hawkins County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.45 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not

available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable in the General Purpose School Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the major governmental fund. The Other Current Liabilities reflected in the General Purpose School Fund represents the remaining balance in the teacher's insurance clearing account.

3. Capital Assets

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

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

4. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The Hawkins County Board of Education has adopted policies allowing all 12-month employees who declare their intention to retire within the calendar year to be paid their unused vacation benefits as they accrue and to allow 12-month employees to accumulate a limited amount (five days) of earned but unused vacation benefits.

The Hawkins County Board of Education also allows all employees to be paid for any unused sick pay benefits upon retirement or death at a rate of \$10 to \$27 per unused day based on total days accumulated. At the termination of employment of any employee, all unused sick leave accumulated shall be terminated. Furthermore, all certified employees who are present for all scheduled days on the school calendar except for two days of personal leave and two days of professional leave shall receive a \$300 bonus on their June 15th payroll check. A liability for these amounts is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

5. Long-term Obligation

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including leases 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.

6. Net Assets and Fund Equity

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

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

As of June 30, 2006, Hawkins County, had \$29,184,370 in outstanding debt for capital purposes for the School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Rogersville School System and City of Kingsport School System) based on the average daily attendance proration. This debt is a liability of Hawkins County, but capital assets acquired are reported in the financial statements of the School Department and the City of Rogersville School System and City of Kingsport School System. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile 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**

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.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The School Department 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 Hawkins County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

The School Department's budgetary basis of accounting is consistent with 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 statement.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hawkins County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk disclosure.

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

Investments

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

The School Department had no pooled and nonpooled investments as of June 30, 2006.

B. Capital Assets

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

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,339,449	\$ 0	\$ 0	\$ 1,339,449
Construction in Progress	10,945,096	3,405,941	(7,952,334)	6,398,703
Total Capital Assets Not Depreciated	<u>\$ 12,284,545</u>	<u>\$ 3,405,941</u>	<u>\$ (7,952,334)</u>	<u>\$ 7,738,152</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 38,586,166	\$ 9,420,437	\$ 0	\$ 48,006,603
Other Capital Assets	4,220,780	817,659	(553,322)	4,485,117
Total Capital Assets Depreciated	<u>\$ 42,806,946</u>	<u>\$ 10,238,096</u>	<u>\$ (553,322)</u>	<u>\$ 52,491,720</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 18,135,645	\$ 1,908,750	\$ 0	\$ 20,044,395
Other Capital Assets	2,634,167	335,481	(536,721)	2,432,927
Total Accumulated Depreciation	<u>\$ 20,769,812</u>	<u>\$ 2,244,231</u>	<u>\$ (536,721)</u>	<u>\$ 22,477,322</u>
Total Capital Assets Depreciated, Net	<u>\$ 22,037,134</u>	<u>\$ 7,993,865</u>	<u>\$ (16,601)</u>	<u>\$ 30,014,398</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,321,679</u>	<u>\$ 11,399,806</u>	<u>\$ (7,968,935)</u>	<u>\$ 37,752,550</u>

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

Governmental Activities:

Instruction	\$ 1,898,814
Support Services	317,078
Operation of Non-Instructional Services	<u>28,339</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,244,231</u>

C. Construction Commitments

At June 30, 2006, the General Purpose School Fund had uncompleted construction contracts of approximately \$68,150, for various renovations and construction projects. Funding for these future expenditures has been provided.

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 14,813
General Purpose School	School Transportation	205
School Transportation	Nonmajor governmental	19
Nonmajor governmental	General Purpose School	782

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
School Department:	Primary government:	
School Transportation	General	\$ 10,830
School Transportation	Nomajor governmental	5,142

Interfund Transfers:

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

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental funds	\$ 6,385
Total	<u>\$ 6,385</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

E. Capital Leases

The School Department previously entered into capital lease agreements to finance the acquisition of vehicles and equipment. The agreements provide for original terms of up to ten years at interest rates ranging from 4.32 to 5.25 percent. The gross amount of assets acquired through capital lease agreements outstanding at June 30, 2006, totaled \$1,375,307. The title to the vehicles and equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund and the School Federal Projects Fund.

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

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 183,804
2008	170,460
2009	170,460
2010	42,614
Total Minimum Lease Payments	\$ 567,338
Amounts Representing Interest	<u>(48,279)</u>
Present Value of Minimum Lease Payments	<u>\$ 519,059</u>

F. Long-term Debt

Changes in Long-term Liabilities

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

Governmental Activities:	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 682,039	\$ 1,134,373
Additions	0	367,682
Deductions	(162,980)	(323,864)
	<hr/>	<hr/>
Balance, June 30, 2006	<u>\$ 519,059</u>	<u>\$ 1,178,191</u>
	<hr/>	<hr/>
Balance Due Within One Year	<u>\$ 159,530</u>	<u>\$ 304,200</u>
	<hr/>	<hr/>
	Termination Benefits	
	<hr/>	
Balance, July 1, 2005	\$ 490,550	
Additions	178,306	
Deductions	(153,455)	
	<hr/>	
Balance, June 30, 2006	<u>\$ 515,401</u>	
	<hr/>	
Balance Due Within One Year	<u>\$ 178,306</u>	
	<hr/>	

Compensated absences will be retired from the employing funds.

In addition to the long-term liabilities shown above, Hawkins County, the primary government, has issued capital outlay notes and other loans to provide funds for the School Department to purchase school buses. The School Department provides funds to retire these debt issues. The capital outlay notes and other loans are direct obligations of, and pledge the full faith and credit of, the primary government. Therefore, the notes and other loans are reported as long-term debt of the primary government. The repayment of the debt by the School Department is reflected as a contribution expenditure in the School Transportation Fund. For the year ended June 30, 2006, the School Transportation Fund paid \$233,471 on the debt, which consisted of principal (\$198,775), interest (\$34,244) and other charges (\$452).

As of June 30, 2006, the balance remaining on notes and other loans that the School Department plans to retire was \$1,166,200. These notes carry interest rates ranging from two percent to 3.5 percent and the other loans carry a variable interest rate. Annual requirements to amortize these notes and other loans outstanding are presented in the following table:

Year Ending June 30	Notes		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 150,000	\$ 31,400	\$ 51,200	\$ 11,176
2008	150,000	27,500	80,000	8,000
2009	155,000	22,925	80,000	4,000
2010	160,000	17,500	0	0
2011	165,000	11,900	0	0
2012	175,000	6,125	0	0
Total	\$ 955,000	\$ 117,350	\$ 211,200	\$ 23,176

V. OTHER INFORMATION

A. Risk Management

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

The School Department joined the Local Government Group Insurance Fund (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 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

For the year ended June 30, 2006, the School Department adopted the provisions of GASB Statement No. 47, Accounting for Termination Benefits. 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 Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. 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. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

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 Hawkins County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. 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 Hawkins County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. 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. The School Department had no net assets restricted by enabling legislation to

disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

C. Contingent Liabilities

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates that the potential claims against the School Department not covered by insurance resulting from litigation would not materially affect the financial statements of the School Department.

D. Jointly Governed Organizations

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

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

E. Retirement Commitments

Plan Description

Employees of Hawkins County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hawkins County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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

SCHOOL TEACHERS

Plan Description

The Hawkins County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEP), 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. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hawkins County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hawkins County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$1,348,115, \$1,308,208, and \$763,976, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department also provides post-retirement health care benefits, in accordance with contract provisions, to employees who retire with a minimum of 30 years of service or 60 years of age. Currently, 54 retirees meet these eligibility requirements. The benefits are provided until the retiree is eligible to receive

Medicare. In the event of the death of a retired employee, the School Department agrees to continue payment for the current health insurance benefits to the surviving spouse until eligible to receive Medicare. The School Department reimburses 76 percent of the health insurance premiums. In addition, the School Department pays 100 percent of the premiums for life insurance. During the year, expenditures were recognized for post-employment health care (\$163,128) and life insurance benefits (\$20,318).

G. Termination Benefits

The School Department offers a voluntary termination benefits plan to its employees. To be eligible, employees must have 30 years of credible service in the Tennessee Consolidated Retirement System and no less than ten years of service with the Hawkins County School System. Under the plan, employees who accept the benefit shall receive an annual amount equal to a minimum of ten percent of their total compensation based on the highest annual salary of their last three years of employment. Benefits shall begin in July following retirement and continue until they reach the age of 62, or for a maximum of seven years, whichever is less. In the event the employee should die during the term of the agreement, the designated beneficiary shall continue to receive the payments for the remainder of the fiscal year of the employee's death. Thirty-eight employees participated in the program during the 2005-06 year. The estimated cost of the cash payments, reported in the government-wide statement of net assets, by function, is \$515,401. The School Department determined this liability by calculating the total cash payments due over the next seven years. Of the amount reported in the government-wide statement of net assets, \$166,225 is reflected as a current liability in the governmental funds.

H. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
General Purpose School Fund
For the Year Ended June 30, 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	\$ 11,050,192	\$ 0	\$ 0	\$ 11,050,192	\$ 10,903,022	\$ 10,903,022	\$ 147,170
Licenses and Permits	4,648	0	0	4,648	4,000	4,000	648
Charges for Current Services	8,293	0	0	8,293	6,000	6,000	2,293
Other Local Revenues	245,172	0	0	245,172	96,526	283,694	(38,522)
State of Tennessee	29,667,602	0	0	29,667,602	29,547,439	29,721,655	(54,053)
Federal Government	1,046,757	0	0	1,046,757	580,823	719,016	327,741
Total Revenues	\$ 42,022,664	\$ 0	\$ 0	\$ 42,022,664	\$ 41,137,810	\$ 41,637,387	\$ 385,277
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 22,583,075	\$ (76,047)	\$ 57,397	\$ 22,564,425	\$ 23,095,906	\$ 23,119,718	\$ 555,293
Alternative Instruction Program	33,603	0	0	33,603	83,912	34,261	658
Special Education Program	3,587,293	0	0	3,587,293	3,732,000	3,708,103	120,810
Vocational Education Program	1,216,378	(662)	39,025	1,254,741	1,170,760	1,325,289	70,548
Adult Education Program	219,588	(859)	2,276	221,005	265,506	276,296	55,291
<u>Support Services</u>							
Attendance	159,450	(240)	0	159,210	172,436	164,436	5,226
Health Services	329,423	(1,017)	5,061	333,467	351,604	344,604	11,137
Other Student Support	954,708	0	71	954,779	997,593	975,243	20,464
Regular Instruction Program	1,919,139	(2,221)	1,202	1,918,120	1,874,335	1,963,470	45,350
Special Education Program	493,110	(110)	0	493,000	469,747	507,509	14,509
Vocational Education Program	52,499	0	0	52,499	51,682	53,682	1,183
Adult Programs	136,566	0	0	136,566	156,968	149,622	13,056
Board of Education	1,126,021	(20,000)	20,000	1,126,021	1,054,055	1,154,064	28,043
Director of Schools	392,990	(223)	590	393,357	437,340	409,940	16,583
Office of the Principal	2,410,786	0	0	2,410,786	2,442,723	2,442,723	31,937

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	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>							
Fiscal Services	\$ 164,993	\$ 0	\$ 0	\$ 164,993	\$ 168,209	\$ 168,209	\$ 3,216
Operation of Plant	3,137,464	(3,521)	4,500	3,138,443	3,098,649	3,340,649	202,206
Maintenance of Plant	713,341	(5,769)	4,251	711,823	770,091	739,244	27,421
<u>Operation of Non-Instructional Services</u>							
Food Service	67,333	0	0	67,333	67,351	67,351	18
Early Childhood Education	80,458	0	0	80,458	0	86,026	5,568
<u>Capital Outlay</u>							
Regular Capital Outlay	2,812,019	(303,604)	81,617	2,590,032	1,698,143	2,595,643	5,611
<u>Principal on Debt</u>							
Education	139,281	0	0	139,281	139,281	139,281	0
<u>Interest on Debt</u>							
Education	31,179	0	0	31,179	31,180	31,180	1
Total Expenditures	\$ 42,760,697	\$ (414,273)	\$ 215,990	\$ 42,562,414	\$ 42,329,471	\$ 43,796,543	\$ 1,234,129
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (738,033)	\$ 414,273	\$ (215,990)	\$ (539,750)	\$ (1,191,661)	\$ (2,159,156)	\$ 1,619,406
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 6,385	\$ 0	\$ 0	\$ 6,385	\$ 2,000	\$ 2,000	\$ 4,385
Total Other Financing Sources (Uses)	\$ 6,385	\$ 0	\$ 0	\$ 6,385	\$ 2,000	\$ 2,000	\$ 4,385
Net Change in Fund Balance	\$ (731,648)	\$ 414,273	\$ (215,990)	\$ (533,365)	\$ (1,189,661)	\$ (2,157,156)	\$ 1,623,791
Fund Balance, July 1, 2005	8,372,967	(414,273)	0	7,958,694	7,958,694	7,958,694	0
Fund Balance, June 30, 2006	\$ 7,641,319	\$ 0	\$ (215,990)	\$ 7,425,329	\$ 6,769,033	\$ 5,801,538	\$ 1,623,791

Exhibit D-2

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
School Transportation Fund
For the Year Ended June 30, 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	\$ 1,458,446	\$ 0	\$ 0	\$ 1,458,446	\$ 1,437,667	\$ 1,437,667	\$ 20,779
Charges for Current Services	69,854	0	0	69,854	48,000	70,000	(146)
Other Local Revenues	289,050	0	0	289,050	115,000	205,875	83,175
State of Tennessee	639,811	0	0	639,811	639,811	639,811	0
Other Governments and Citizens Groups	211,326	0	0	211,326	210,000	211,172	154
Total Revenues	<u>\$ 2,668,487</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,668,487</u>	<u>\$ 2,450,478</u>	<u>\$ 2,564,525</u>	<u>\$ 103,962</u>
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 31,276	\$ 0	\$ 0	\$ 31,276	\$ 0	\$ 31,000	\$ (276)
Transportation	3,047,170	(702,274)	211,262	2,556,158	2,217,457	2,579,207	23,049
<u>Other Debt Service</u>							
Education	233,471	0	0	233,471	233,021	233,121	(350)
Total Expenditures	<u>\$ 3,311,917</u>	<u>\$ (702,274)</u>	<u>\$ 211,262</u>	<u>\$ 2,820,905</u>	<u>\$ 2,450,478</u>	<u>\$ 2,843,328</u>	<u>\$ 22,423</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (643,430)</u>	<u>\$ 702,274</u>	<u>\$ (211,262)</u>	<u>\$ (152,418)</u>	<u>\$ 0</u>	<u>\$ (278,803)</u>	<u>\$ 126,385</u>
Net Change in Fund Balance	\$ (643,430)	\$ 702,274	\$ (211,262)	\$ (152,418)	\$ 0	\$ (278,803)	\$ 126,385
Fund Balance, July 1, 2005	1,266,086	(702,274)	0	563,812	563,812	563,812	0
Fund Balance, June 30, 2006	<u>\$ 622,656</u>	<u>\$ 0</u>	<u>\$ (211,262)</u>	<u>\$ 411,394</u>	<u>\$ 563,812</u>	<u>\$ 285,009</u>	<u>\$ 126,385</u>

**HAWKINS COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HAWKINS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

BUDGETARY INFORMATION

The School Department 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 Hawkins County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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.

Capital Projects Fund

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

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

Exhibit E-1

Hawkins County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Hawkins County School Department
June 30, 2006

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,497	\$ 2,497
Equity in Pooled Cash and Investments	27,368	1,705,947	1,733,315
Accounts Receivable	210	0	210
Due from Other Governments	514,893	143,624	658,517
Due from Other Funds	782	0	782
	<hr/>		
Total Assets	\$ 543,253	\$ 1,852,068	\$ 2,395,321
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 862	\$ 23,337	\$ 24,199
Due to Other Funds	14,832	0	14,832
Total Liabilities	\$ 15,694	\$ 23,337	\$ 39,031
<hr/>			
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 24,358	\$ 0	\$ 24,358
Reserved for Vocational Projects	2,629	0	2,629
Reserved for Title I Grants to Local Education Agencies	198,040	0	198,040
Reserved for Innovative Education Program Strategies	49	0	49
Reserved for Special Education - Grants to States	195,715	0	195,715
Other Federal Reserves	106,768	0	106,768
Unreserved	0	1,828,731	1,828,731
Total Fund Balances	\$ 527,559	\$ 1,828,731	\$ 2,356,290
<hr/>			
Total Liabilities and Fund Balances	\$ 543,253	\$ 1,852,068	\$ 2,395,321
<hr/>			

Exhibit E-2

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

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 1,345,878	\$ 1,345,878	\$ 0	\$ 1,345,878
Other Local Revenues	0	57,559	57,559	0	57,559
State of Tennessee	0	41,300	41,300	0	41,300
Federal Government	3,973,968	1,797,462	5,771,430	0	5,771,430
Other Governments and Citizens Groups	0	0	0	1,469,768	1,469,768
Total Revenues	\$ 3,973,968	\$ 3,242,199	\$ 7,216,167	\$ 1,469,768	\$ 8,685,935
<u>Expenditures</u>					
Current:					
Instruction	\$ 3,208,180	\$ 0	\$ 3,208,180	\$ 0	\$ 3,208,180
Support Services	1,022,848	0	1,022,848	0	1,022,848
Operation of Non-Instructional Services	0	2,959,313	2,959,313	0	2,959,313
Debt Service:					
Principal on Debt	23,699	0	23,699	0	23,699
Interest on Debt	1,553	0	1,553	0	1,553
Capital Projects	0	0	0	771,117	771,117
Total Expenditures	\$ 4,256,280	\$ 2,959,313	\$ 7,215,593	\$ 771,117	\$ 7,986,710

(Continued)

Exhibit E-2

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

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (282,312)	\$ 282,886	\$ 574	\$ 698,651	\$ 699,225
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (6,385)	\$ 0	\$ (6,385)	\$ 0	\$ (6,385)
Total Other Financing Sources (Uses)	\$ (6,385)	\$ 0	\$ (6,385)	\$ 0	\$ (6,385)
Net Change in Fund Balances	\$ (288,697)	\$ 282,886	\$ (5,811)	\$ 698,651	\$ 692,840
Fund Balance, July 1, 2005	816,256	1,545,845	2,362,101	(698,651)	1,663,450
Fund Balance, June 30, 2006	\$ 527,559	\$ 1,828,731	\$ 2,356,290	\$ 0	\$ 2,356,290

Exhibit E-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Hawkins County School Department
School Federal Projects Fund
For the Year Ended June 30, 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	\$ 3,973,968	\$ 0	\$ 0	\$ 3,973,968	\$ 4,518,922	\$ 4,519,919	\$ (545,951)
Total Revenues	\$ 3,973,968	\$ 0	\$ 0	\$ 3,973,968	\$ 4,518,922	\$ 4,519,919	\$ (545,951)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,486,274	\$ (1,197)	\$ 0	\$ 1,485,077	\$ 1,771,973	\$ 1,778,209	\$ 293,132
Alternative Instruction Program	83,253	0	0	83,253	75,763	83,512	259
Special Education Program	1,427,234	0	0	1,427,234	1,459,843	1,861,584	434,350
Vocational Education Program	211,419	(9,059)	10,219	212,579	224,988	213,267	688
<u>Support Services</u>							
Health Services	121,757	0	0	121,757	118,306	147,491	25,734
Other Student Support	62,918	0	0	62,918	64,347	76,326	13,408
Regular Instruction Program	549,793	(80,349)	14,139	483,583	569,007	709,809	226,226
Special Education Program	261,695	0	0	261,695	217,695	397,101	135,406
Vocational Education Program	26,685	0	0	26,685	15,000	26,721	36
<u>Principal on Debt</u>							
Education	23,699	0	0	23,699	0	23,699	0
<u>Interest on Debt</u>							
Education	1,553	0	0	1,553	0	1,554	1
Total Expenditures	\$ 4,256,280	\$ (90,605)	\$ 24,358	\$ 4,190,033	\$ 4,516,922	\$ 5,319,273	\$ 1,129,240
Excess (Deficiency) of Revenues Over Expenditures	\$ (282,312)	\$ 90,605	\$ (24,358)	\$ (216,065)	\$ 2,000	\$ (799,354)	\$ 583,289
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (6,385)	\$ 0	\$ 0	\$ (6,385)	\$ (2,000)	\$ (2,000)	\$ (4,385)
Total Other Financing Sources (Uses)	\$ (6,385)	\$ 0	\$ 0	\$ (6,385)	\$ (2,000)	\$ (2,000)	\$ (4,385)
Net Change in Fund Balance	\$ (288,697)	\$ 90,605	\$ (24,358)	\$ (222,450)	\$ 0	\$ (801,354)	\$ 578,904
Fund Balance, July 1, 2005	816,256	(90,605)	0	725,651	0	801,354	(75,703)
Fund Balance, June 30, 2006	\$ 527,559	\$ 0	\$ (24,358)	\$ 503,201	\$ 0	\$ 0	\$ 503,201

Exhibit E-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,345,878	\$ 1,257,569	\$ 1,269,569	\$ 76,309
Other Local Revenues	57,559	12,000	0	57,559
State of Tennessee	41,300	40,000	40,000	1,300
Federal Government	1,797,462	1,538,364	1,538,364	259,098
Total Revenues	<u>\$ 3,242,199</u>	<u>\$ 2,847,933</u>	<u>\$ 2,847,933</u>	<u>\$ 394,266</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,959,313	\$ 2,847,933	\$ 3,122,633	\$ 163,320
Total Expenditures	<u>\$ 2,959,313</u>	<u>\$ 2,847,933</u>	<u>\$ 3,122,633</u>	<u>\$ 163,320</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 282,886</u>	<u>\$ 0</u>	<u>\$ (274,700)</u>	<u>\$ 557,586</u>
Net Change in Fund Balance	\$ 282,886	\$ 0	\$ (274,700)	\$ 557,586
Fund Balance, July 1, 2005	1,545,845	1,545,845	1,545,845	0
Fund Balance, June 30, 2006	<u>\$ 1,828,731</u>	<u>\$ 1,545,845</u>	<u>\$ 1,271,145</u>	<u>\$ 557,586</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Hawkins County, Tennessee
Schedule of Changes in Capital Leases
Hawkins County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Heating and Cooling System Replacement	\$ 1,336,907	5.25 %	6-22-1999	10-20-09	\$ 645,548	\$ 139,281	\$ 506,267
Total Payable through General Purpose School Fund					<u>\$ 645,548</u>	<u>\$ 139,281</u>	<u>\$ 506,267</u>
<u>Payable through School Federal Projects Fund</u>							
Special Education Bus	34,327	4.12	8-25-03	8-6-05	\$ 11,436	\$ 11,436	\$ 0
Special Education Bus	38,400	4.32	7-15-04	8-15-06	25,055	12,263	12,792
Total Payable through School Federal Projects Fund					<u>\$ 36,491</u>	<u>\$ 23,699</u>	<u>\$ 12,792</u>
Total Capital Leases Payable					<u>\$ 682,039</u>	<u>\$ 162,980</u>	<u>\$ 519,059</u>

Exhibit F-2

Hawkins County, Tennessee
Schedule of Transfers
Hawkins County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 6,385</u>
Total Transfers			<u><u>\$ 6,385</u></u>

Exhibit F-3

Hawkins County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Hawkins County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 85,550 (1) \$	50,000	Ohio Casualty Company
Employee Blanket Bonds	Public Employee Dishonesty - School Department		150,000	Tennessee School Boards Risk Management Trust

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

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 6,727,813	\$ 0	\$ 0	\$ 1,224,076	\$ 0	\$ 7,951,889
Trustee's Collections - Prior Year	312,793	0	0	56,694	0	369,487
Circuit/Clerk & Master Collections - Prior Years	164,441	0	0	29,780	0	194,221
Interest and Penalty	56,593	0	0	10,257	0	66,850
Pick-up Taxes	30,030	0	0	5,439	0	35,469
Payments in-Lieu-of Taxes - T.V.A.	2,045	0	0	324	0	2,369
Payments in-Lieu-of Taxes - Other	6,969	0	0	1,261	0	8,230
<u>County Local Option Taxes</u>						
Local Option Sales Tax	3,497,461	0	0	0	0	3,497,461
Wheel Tax	187,664	0	0	120,422	0	308,086
<u>Statutory Local Taxes</u>						
Bank Excise Tax	56,338	0	0	10,193	0	66,531
Interstate Telecommunications Tax	8,045	0	0	0	0	8,045
Total Local Taxes	\$ 11,050,192	\$ 0	\$ 0	\$ 1,458,446	\$ 0	\$ 12,508,638
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 4,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,648
Total Licenses and Permits	\$ 4,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,648
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 830,037	\$ 0	\$ 0	\$ 830,037
Lunch Payments - Adults	0	0	115,540	0	0	115,540
Income from Breakfast	0	0	109,622	0	0	109,622
A la carte Sales	0	0	223,592	0	0	223,592
Transportation - Other State Systems	0	0	0	42,341	0	42,341
School Based Health Services - FFS	38	0	0	0	0	38
Receipts from Individual Schools	8,255	0	0	27,513	0	35,768
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	67,087	0	0	67,087
Total Charges for Current Services	\$ 8,293	\$ 0	\$ 1,345,878	\$ 69,854	\$ 0	\$ 1,424,025

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 55,258	\$ 0	\$ 0	\$ 55,258
Sale of Gasoline	0	0	0	257,676	0	257,676
Commodity Rebates	0	0	208	0	0	208
Miscellaneous Refunds	49,457	0	1,497	450	0	51,404
<u>Nonrecurring Items</u>						
Insurance Recovery	30,098	0	0	8,399	0	38,497
Sale of Equipment	2,187	0	0	21,475	0	23,662
Sale of Property	99,935	0	0	0	0	99,935
Damages Recovered from Individuals	1,067	0	0	1,050	0	2,117
Contributions & Gifts	48,250	0	0	0	0	48,250
<u>Other Local Revenues</u>						
Other Local Revenues	14,178	0	596	0	0	14,774
Total Other Local Revenues	\$ 245,172	\$ 0	\$ 57,559	\$ 289,050	\$ 0	\$ 591,781
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 27,995,971	\$ 0	\$ 0	\$ 639,811	\$ 0	\$ 28,635,782
School Food Service	0	0	41,300	0	0	41,300
Driver Education	16,929	0	0	0	0	16,929
Other State Education Funds	168,862	0	0	0	0	168,862
Career Ladder Program	433,076	0	0	0	0	433,076
Career Ladder - Extended Contract	183,467	0	0	0	0	183,467
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	835,997	0	0	0	0	835,997
Other State Grants	33,300	0	0	0	0	33,300
Total State of Tennessee	\$ 29,667,602	\$ 0	\$ 41,300	\$ 639,811	\$ 0	\$ 30,348,713
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,349,187	\$ 0	\$ 0	\$ 1,349,187
Breakfast	0	0	446,246	0	0	446,246
USDA - Other	0	0	2,029	0	0	2,029
Adult Education State Grant Program	85,274	0	0	0	0	85,274
Vocational Education - Basic Grants to States	0	239,267	0	0	0	239,267
Title I Grants to Local Education Agencies	0	1,634,372	0	0	0	1,634,372

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Innovative Education Program Strategies	\$ 0	\$ 127,338	\$ 0	\$ 0	\$ 0	\$ 127,338
Special Education - Grants to States	8,318	1,514,249	0	0	0	1,522,567
Special Education Preschool Grants	0	15,521	0	0	0	15,521
Eisenhower Professional Development State Grants	0	400,885	0	0	0	400,885
Other Federal through State	865,647	42,336	0	0	0	907,983
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	86,354	0	0	0	0	86,354
Other Direct Federal Revenue	1,164	0	0	0	0	1,164
Total Federal Government	\$ 1,046,757	\$ 3,973,968	\$ 1,797,462	\$ 0	\$ 0	\$ 6,818,187
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 211,326	\$ 1,469,768	\$ 1,681,094
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 211,326	\$ 1,469,768	\$ 1,681,094
Total	\$ 42,022,664	\$ 3,973,968	\$ 3,242,199	\$ 2,668,487	\$ 1,469,768	\$ 53,377,086

Exhibit F-5

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 15,729,965	
Career Ladder Program	263,185	
Career Ladder Extended Contracts	82,848	
Homebound Teachers	131,649	
Educational Assistants	640,997	
Other Salaries & Wages	71,673	
Certified Substitute Teachers	24,980	
Non-certified Substitute Teachers	159,261	
Social Security	1,016,639	
State Retirement	918,396	
Life Insurance	69,229	
Medical Insurance	2,175,218	
Unemployment Compensation	18,889	
Employer Medicare	237,775	
Other Contracted Services	36,806	
Instructional Supplies and Materials	271,061	
Textbooks	435,947	
Other Supplies and Materials	43,532	
Fee Waivers	65,787	
Other Charges	105,035	
Regular Instruction Equipment	84,203	
Total Regular Instruction Program		\$ 22,583,075

Alternative Instruction Program

Career Ladder Program	\$ 645	
Educational Assistants	13,452	
Certified Substitute Teachers	40	
Non-certified Substitute Teachers	1,968	
Social Security	743	
State Retirement	645	
Life Insurance	245	
Medical Insurance	11,728	
Unemployment Compensation	76	
Employer Medicare	174	
Instructional Supplies and Materials	1,967	
Other Equipment	1,920	
Total Alternative Instruction Program		33,603

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$ 2,167,725	
Career Ladder Program	35,750	
Career Ladder Extended Contracts	5,000	
Homebound Teachers	79,008	
Educational Assistants	375,747	
Other Salaries & Wages	19,400	
Certified Substitute Teachers	2,380	
Non-certified Substitute Teachers	76,880	
Social Security	162,822	
State Retirement	149,897	
Life Insurance	13,654	
Medical Insurance	399,091	
Unemployment Compensation	4,061	
Employer Medicare	38,126	
Contracts with Private Agencies	5,922	
Maintenance & Repair Services - Equipment	602	
Instructional Supplies and Materials	38,959	
Other Supplies and Materials	12,269	
Total Special Education Program		\$ 3,587,293

Vocational Education Program

Teachers	\$ 913,030	
Career Ladder Program	24,000	
Career Ladder Extended Contracts	16,000	
Certified Substitute Teachers	1,640	
Non-certified Substitute Teachers	8,954	
Social Security	57,426	
State Retirement	51,126	
Life Insurance	3,265	
Medical Insurance	100,717	
Unemployment Compensation	853	
Employer Medicare	13,430	
Instructional Supplies and Materials	13,051	
T&I Construction Materials	10,368	
Other Supplies and Materials	20	
Vocational Instruction Equipment	2,498	
Total Vocational Education Program		1,216,378

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program

Teachers	\$	136,364	
Other Salaries & Wages		18,592	
Social Security		9,255	
State Retirement		6,960	
Life Insurance		643	
Medical Insurance		16,982	
Unemployment Compensation		238	
Employer Medicare		2,165	
Other Contracted Services		1,080	
Instructional Supplies and Materials		20,794	
Other Supplies and Materials		4,820	
Other Charges		1,000	
Other Equipment		695	
Total Adult Education Program			\$ 219,588

Support Services

Attendance

Supervisor/Director	\$	63,346	
Career Ladder Program		1,000	
Career Ladder Extended Contracts		2,000	
Other Salaries & Wages		54,232	
Social Security		7,254	
State Retirement		7,324	
Life Insurance		418	
Medical Insurance		9,748	
Unemployment Compensation		100	
Employer Medicare		1,696	
Travel		5,961	
Other Charges		3,108	
Attendance Equipment		3,263	
Total Attendance			159,450

Health Services

Medical Personnel	\$	137,704
Other Salaries & Wages		66,550
Social Security		12,234
State Retirement		12,444
Life Insurance		1,008
Medical Insurance		26,269

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Unemployment Compensation	\$	266	
Employer Medicare		2,861	
Travel		11,036	
Other Contracted Services		498	
Drugs and Medical Supplies		10,299	
Other Supplies and Materials		29,317	
In Service/Staff Development		866	
Other Charges		16,645	
Health Equipment		1,426	
Total Health Services			\$ 329,423

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		685,993	
Secretary(ies)		54,465	
Social Security		44,777	
State Retirement		41,559	
Life Insurance		2,860	
Medical Insurance		68,853	
Unemployment Compensation		716	
Employer Medicare		10,472	
Evaluation and Testing		21,185	
Other Supplies and Materials		15,578	
Other Charges		1,250	
Total Other Student Support			954,708

Regular Instruction Program

Supervisor/Director	\$	370,268
Career Ladder Program		21,000
Career Ladder Extended Contracts		22,000
Librarians		714,755
Educational Assistants		29,937
Other Salaries & Wages		124,546
Social Security		76,393
State Retirement		70,126
Life Insurance		3,967
Medical Insurance		141,440
Unemployment Compensation		1,072
Employer Medicare		17,866

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	47,790	
Library Books/Media		45,944	
In Service/Staff Development		32,616	
Other Charges		17,473	
Other Equipment		181,946	
Total Regular Instruction Program			\$ 1,919,139

Special Education Program

Supervisor/Director	\$	135,160	
Career Ladder Program		7,000	
Psychological Personnel		88,255	
Career Ladder Extended Contracts		4,000	
Assessment Personnel		42,263	
Secretary(ies)		45,879	
Other Salaries & Wages		16,250	
Social Security		20,450	
State Retirement		19,455	
Life Insurance		1,032	
Medical Insurance		25,045	
Unemployment Compensation		257	
Employer Medicare		4,783	
Travel		36,158	
Other Contracted Services		12,036	
Other Supplies and Materials		12,392	
In Service/Staff Development		4,811	
Other Charges		1,966	
Other Equipment		15,918	
Total Special Education Program			493,110

Vocational Education Program

Supervisor/Director	\$	31,630	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		2,000	
Social Security		2,168	
State Retirement		2,015	
Life Insurance		69	
Medical Insurance		4,425	
Unemployment Compensation		15	
Employer Medicare		507	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Travel	\$ 6,670	
Total Vocational Education Program		\$ 52,499

Adult Programs

Supervisor/Director	\$ 86,389	
Clerical Personnel	17,394	
Social Security	6,299	
State Retirement	6,456	
Life Insurance	386	
Medical Insurance	3,622	
Unemployment Compensation	98	
Employer Medicare	1,473	
Travel	3,837	
Other Supplies and Materials	3,750	
In Service/Staff Development	862	
Other Charges	6,000	
Total Adult Programs		136,566

Board of Education

Other Salaries & Wages	\$ 8,800	
Social Security	546	
State Retirement	314	
Life Insurance	22,293	
Medical Insurance	163,128	
Unemployment Compensation	30	
Employer Medicare	128	
Audit Services	18,400	
Dues and Memberships	8,788	
Legal Services	1,409	
Travel	14,389	
Liability Insurance	381,406	
Trustee's Commission	268,804	
Workers' Compensation Insurance	231,862	
Criminal Investigation of Applicants - TBI	5,528	
Other Charges	196	
Total Board of Education		1,126,021

Director of Schools

County Official/Administrative Officer	\$ 85,550	
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(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Secretary(ies)	\$	148,769	
Other Salaries & Wages		8,543	
Social Security		14,608	
State Retirement		15,219	
Life Insurance		987	
Medical Insurance		21,832	
Unemployment Compensation		258	
Employer Medicare		3,416	
Communication		28,674	
Dues and Memberships		3,375	
Postal Charges		8,000	
Travel		6,105	
Other Contracted Services		16,815	
Office Supplies		10,404	
Other Charges		20,435	
Total Director of Schools			\$ 392,990

Office of the Principal

Principals	\$	931,947	
Career Ladder Program		35,000	
Career Ladder Extended Contracts		24,000	
Assistant Principals		493,671	
Secretary(ies)		419,827	
Social Security		109,473	
State Retirement		109,971	
Life Insurance		7,229	
Medical Insurance		252,347	
Unemployment Compensation		1,718	
Employer Medicare		25,603	
Total Office of the Principal			2,410,786

Fiscal Services

Accountants/Bookkeepers	\$	107,822
Social Security		6,129
State Retirement		7,353
Life Insurance		576
Medical Insurance		24,868
Unemployment Compensation		137
Employer Medicare		1,433

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Other Contracted Services	\$	5,242	
Office Supplies		3,075	
Administration Equipment		8,358	
Total Fiscal Services			\$ 164,993

Operation of Plant

Custodial Personnel	\$	901,893	
Social Security		52,092	
State Retirement		54,515	
Life Insurance		7,625	
Medical Insurance		198,701	
Unemployment Compensation		2,293	
Employer Medicare		12,183	
Other Contracted Services		105,120	
Coal		17,443	
Custodial Supplies		92,191	
Electricity		1,102,347	
Natural Gas		453,250	
Water and Sewer		112,553	
Other Supplies and Materials		13,616	
Other Charges		11,642	
Total Operation of Plant			3,137,464

Maintenance of Plant

Supervisor/Director	\$	34,280
Secretary(ies)		21,618
Maintenance Personnel		383,028
Social Security		26,067
State Retirement		27,916
Life Insurance		2,354
Medical Insurance		54,076
Unemployment Compensation		669
Employer Medicare		6,096
Maintenance & Repair Services - Buildings		4,778
Maintenance & Repair Services - Equipment		24,048
Other Contracted Services		14,728
Equipment and Machinery Parts		4,729
Other Supplies and Materials		34,334
Other Charges		19,102

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance Equipment	\$ 55,518	
Total Maintenance of Plant		\$ 713,341

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 55,708	
Career Ladder Program	1,000	
Social Security	3,516	
State Retirement	3,119	
Life Insurance	144	
Unemployment Compensation	34	
Employer Medicare	822	
Travel	2,990	
Total Food Service		67,333

Early Childhood Education

Teachers	\$ 33,991	
Educational Assistants	9,321	
Social Security	2,509	
State Retirement	1,949	
Life Insurance	274	
Medical Insurance	7,202	
Unemployment Compensation	113	
Employer Medicare	587	
Travel	956	
Instructional Supplies and Materials	478	
Other Supplies and Materials	13,087	
Other Equipment	9,991	
Total Early Childhood Education		80,458

Capital Outlay

Regular Capital Outlay

Architects	\$ 131,767	
Other Contracted Services	3,287	
Building Improvements	2,486,303	
Site Development	3,822	
Other Capital Outlay	186,840	
Total Regular Capital Outlay		2,812,019

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Capital Leases	\$ 139,281	
Total Education		\$ 139,281

Interest on Debt

Education

Interest on Capital Leases	\$ 31,179	
Total Education		<u>31,179</u>

Total General Purpose School Fund		\$ 42,760,697
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 582,944	
Educational Assistants	305,465	
Other Salaries & Wages	57,494	
Certified Substitute Teachers	4,740	
Social Security	56,297	
State Retirement	54,244	
Life Insurance	6,782	
Medical Insurance	122,915	
Unemployment Compensation	1,676	
Employer Medicare	13,166	
Maintenance & Repair Services - Equipment	15,576	
Other Contracted Services	4,628	
Instructional Supplies and Materials	89,624	
Other Charges	44,896	
Regular Instruction Equipment	<u>125,827</u>	
Total Regular Instruction Program		\$ 1,486,274

Alternative Instruction Program

Teachers	\$ 70,074	
Social Security	4,261	
State Retirement	3,854	
Life Insurance	274	
Medical Insurance	3,725	
Unemployment Compensation	69	
Employer Medicare	<u>996</u>	
Total Alternative Instruction Program		83,253

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	354,312	
Educational Assistants		624,129	
Other Salaries & Wages		76,647	
Social Security		61,858	
State Retirement		61,348	
Life Insurance		10,776	
Medical Insurance		174,075	
Unemployment Compensation		2,867	
Employer Medicare		14,467	
Contracts with Private Agencies		21,802	
Instructional Supplies and Materials		18,410	
Other Supplies and Materials		6,543	
Total Special Education Program			\$ 1,427,234

Vocational Education Program

Educational Assistants	\$	10,613	
Social Security		586	
State Retirement		724	
Life Insurance		144	
Medical Insurance		3,705	
Unemployment Compensation		38	
Employer Medicare		137	
Instructional Supplies and Materials		75,469	
Other Supplies and Materials		569	
Vocational Instruction Equipment		119,434	
Total Vocational Education Program			211,419

Support Services

Health Services

Medical Personnel	\$	44,310	
Social Security		2,349	
State Retirement		3,022	
Life Insurance		288	
Medical Insurance		18,007	
Unemployment Compensation		69	
Employer Medicare		549	
Travel		2,178	
Other Supplies and Materials		40,083	
Other Charges		10,902	
Total Health Services			121,757

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support

Other Salaries & Wages	\$	6,191	
Social Security		374	
State Retirement		348	
Employer Medicare		87	
Evaluation and Testing		4,614	
Other Charges		51,304	
Total Other Student Support			\$ 62,918

Regular Instruction Program

Supervisor/Director	\$	57,507	
Other Salaries & Wages		109,724	
Social Security		10,186	
State Retirement		9,194	
Life Insurance		471	
Medical Insurance		9,297	
Unemployment Compensation		120	
Employer Medicare		2,382	
Consultants		3,346	
Travel		39,850	
Other Contracted Services		13,728	
Library Books/Media		18,416	
Other Supplies and Materials		6,112	
In Service/Staff Development		237,465	
Other Charges		2,045	
Other Equipment		29,950	
Total Regular Instruction Program			549,793

Special Education Program

Assessment Personnel	\$	99,498	
Social Security		5,988	
State Retirement		5,472	
Life Insurance		288	
Medical Insurance		9,256	
Unemployment Compensation		69	
Employer Medicare		1,400	
Travel		15,233	
Other Contracted Services		14,218	
Other Supplies and Materials		47,265	
In Service/Staff Development		40,848	

(Continued)

Exhibit F-5

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Other Equipment	\$ 22,160	
Total Special Education Program		\$ 261,695
 <u>Vocational Education Program</u>		
Travel	\$ 23,233	
In Service/Staff Development	3,452	
Total Vocational Education Program		26,685
 <u>Principal on Debt</u>		
<u>Education</u>		
Principal on Capital Leases	\$ 23,699	
Total Education		23,699
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Capital Leases	\$ 1,553	
Total Education		1,553
 Total School Federal Projects Fund		 \$ 4,256,280
 <u>Central Cafeteria Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Accountants/Bookkeepers	\$ 25,486	
Clerical Personnel	36,346	
Cafeteria Personnel	990,720	
Social Security	61,383	
State Retirement	64,539	
Life Insurance	16,016	
Medical Insurance	193,098	
Unemployment Compensation	2,930	
Employer Medicare	14,356	
Communication	9,855	
Maintenance & Repair Services - Equipment	40,465	
Other Contracted Services	197,162	
Food Preparation Supplies	100,121	
Food Supplies	1,093,806	
Office Supplies	24,550	
Uniforms	5,302	

(Continued)

Exhibit F-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Charges	\$ 8,547	
Food Service Equipment	74,631	
Total Food Service	<u>74,631</u>	\$ 2,959,313

Total Central Cafeteria Fund \$ 2,959,313

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$ 31,276	
Total Board of Education		\$ 31,276

Transportation

Supervisor/Director	\$ 34,280	
Mechanic(s)	151,899	
Bus Drivers	882,715	
Clerical Personnel	30,271	
Social Security	63,470	
State Retirement	67,052	
Life Insurance	12,169	
Medical Insurance	255,964	
Unemployment Compensation	3,166	
Employer Medicare	14,844	
Communication	5,157	
Contracts with Parents	12,967	
Contracts with Vehicle Owners	3,685	
Medical and Dental Services	4,943	
Travel	273	
Other Contracted Services	6,920	
Gasoline	585,290	
Lubricants	5,950	
Tires and Tubes	41,287	
Vehicle Parts	124,701	
Other Supplies and Materials	3,915	
Other Charges	28,682	
Transportation Equipment	<u>707,570</u>	
Total Transportation		3,047,170

(Continued)

Exhibit F-5

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

<u>School Transportation Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Contributions	\$ 233,471	
Total Education		<u>\$ 233,471</u>
Total School Transportation Fund		\$ 3,311,917
 <u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Architects	\$ 11,068	
Other Contracted Services	1,777	
Building Construction	757,219	
Building Improvements	<u>1,053</u>	
Total Education Capital Projects		<u>\$ 771,117</u>
Total Education Capital Projects Fund		<u>771,117</u>
Total Governmental Funds - Hawkins County School Department		<u><u>\$ 54,059,324</u></u>

SINGLE AUDIT REPORT
HAWKINS COUNTY, TENNESSEE
AND
HAWKINS COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

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

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

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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

September 20, 2006

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Hawkins County's and the Hawkins County School Department's basic financial statements and have issued our reports thereon dated September 20, 2006. Our report on the financial statements of Hawkins County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Government Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hawkins County School Department was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hawkins County's and the Hawkins County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02 and 06.03.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkins County's and the Hawkins County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 06.01.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

September 20, 2006

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

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and

material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hawkins County's and the Hawkins County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hawkins County's and the Hawkins County School Department's compliance with those requirements.

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

Internal Control Over Compliance

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

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

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hawkins County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Hawkins County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated September 20, 2006. Our report on the financial statements of Hawkins County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Hawkins County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

Hawkins County, Tennessee, and the Hawkins County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 446,246
National School Lunch Program	10.555	N/A	1,349,187
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	296,133
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	2,029
Total U.S. Department of Agriculture			<u>\$ 2,093,595</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(3)	\$ 103,099
Total U.S. Department of Housing and Urban Development			<u>\$ 103,099</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 83,004
Total U.S. Department of Labor			<u>\$ 83,004</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-05-0254813-00	\$ 29,790
Total U.S. Department of Transportation			<u>\$ 29,790</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,620,618
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,707,285
Special Education - Preschool Grants	84.173	N/A	15,215
Vocational Education - Basic Grants to States	84.048	N/A	239,824
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	53,688
Even Start - State Educational Agencies	84.213	Z-04-018563-00	71,869
Twenty-First Century Community Learning Centers	84.287	(2)	114,148
State Grants for Innovative Programs	84.298	N/A	153,031
Education Technology State Grants	84.318	(2)	148,315
Reading First State Grants	84.357	GG-04-11033-00	213,233
Improving Teacher Quality State Grants	84.367	N/A	333,007
Hurricane Education Recovery	84.938	N/A	53,118
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(4)	85,274
Total U.S. Department of Education			<u>\$ 4,808,625</u>

(Continued)

Hawkins County, Tennessee, and the Hawkins County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
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-06027188-00	\$ 30,680
Total U.S. Department of Health and Human Services			<u>\$ 30,680</u>
U .S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(5)	\$ 430,865
Emergency Management Performance Grants	97.042	(6)	13,692
Total U. S. Department of Homeland Security			<u>\$ 444,557</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,593,350</u></u>
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 17,100
Airport Maintenance Program - State Department of Transportation	N/A	(2)	5,560
Aging Program - First Tennessee Development District	N/A	(2)	40,857
State Reappraisal - Comptroller of the Treasury	N/A	(2)	22,849
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	28,077
Health Department Program - State Department of Health	N/A	(2)	206,681
State Aid Program - State Department of Transportation	N/A	(2)	215,969
Litter Program - State Department of Transportation	N/A	(2)	36,704
Tennessee Infrastructure Industrial Program - State Department of Economic and Community Development	N/A	(2)	73,266
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	380,357
Library Archive Grant - State Archives	N/A	(2)	4,000
Adult Basic Education - State Department of Education	N/A	(2)	15,708
Families First Grant - State Department of Education	N/A	(2)	15,578
Safe Schools Act - State Department of Education	N/A	(2)	45,451
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	185,418
Family Resource Center Grant - State Department of Education	N/A	(2)	<u>33,300</u>
Total State Grants			<u><u>\$ 1,326,875</u></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.
- (3) GG-05-11462-00: \$94,999; GG-06-12271-00: \$8,100
- (4) Z-05-022226-00: \$9,373; Z-06-027779-00: \$75,901
- (5) Z-04-020103-00: \$160,689; Z-04-022451-00: \$270,176
- (6) Z-05-025370-00: \$3,000; Z-06-032876-00: \$10,692

Hawkins County, Tennessee, and the Hawkins County School Department
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 Hawkins County, Tennessee, and the Hawkins County School Department for the year ended June 30, 2005, which have not been corrected.

HAWKINS COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	13	Duties were not segregated adequately in the Offices of Clerk and Master and Sheriff
05.03	13	A central system of accounting and budgeting had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Hawkins County, and an unqualified opinion was issued on the financial statements of the Hawkins County School Department.
2. The audit of the financial statements of Hawkins County and the Hawkins County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Hawkins County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Hawkins County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: 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 State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Hawkins County and the Hawkins County School Department did not qualify as low-risk auditees.

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 county mayor is quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

HAWKINS COUNTY

FINDING 06.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Hawkins County Mayor’s Office has filed an implementation work plan with the state with our target date of compliance to be June 30, 2007.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.02 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

FINDING 06.03 **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

**HAWKINS COUNTY, TENNESSEE, AND THE
HAWKINS COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006**

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