

**ANNUAL FINANCIAL REPORT
HAMBLEN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2007



**ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury*

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

*JAMES R. ARNETTE
Director*

*CLIFFORD TUCKER, CPA
Audit Manager*

*BRYAN BURKLIN, CPA, CGFM
Auditor 4*

*JOEY BARNARD, CGFM, CFE
BRAD BURKE, CPA, CIA
MEGAN ANDERSON
DOUG SANDIDGE, CISA, CFE
State Auditors*

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

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Audit Highlights

Annual Financial Report
Hamblen County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Hamblen County as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in eight findings and recommendations, which we have reviewed with Hamblen County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office had deficiencies related to collections by an outside agency.
-

OFFICE OF CLERK AND MASTER

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

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
 - ◆ Revenue collections were not remitted in compliance with state statute.
 - ◆ Some collections were not deposited to the office bank account within three days of collection.
 - ◆ An annual financial report was not filed with the county mayor and county clerk.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Hamblen County Officials

June 30, 2007

Officials

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

Board of County Commissioners

Stancil Ford, Chairman	Tom Massey
Guy Collins	Frank Parker
Larry Baker	Nancy Phillips
John Bruce	Reece Sexton
Doyle Fullington	Joseph Spooone
Herbert Harville	Joe Swann
Paul LeBel	Dana Wampler

Board of Highway Commissioners

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

Board of Education

Carolyn Holt, Chairwoman	James Grigsby
Charles Cross	Janice Haun
Joe Gibson, Jr.	Clyde Kinder
Roger Greene	

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

March 28, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Hamblen County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamblen County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Hamblen County Emergency Communications District, which represent 1.6 percent and 1.7 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamblen County Emergency Communications District, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of June 30, 2007, 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 March 28, 2008, on our consideration of Hamblen County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 20 and the budgetary comparison and pension information on pages 87 through 95 are not required parts of the basic financial statements but they do provide 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 Hamblen County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Hospital Debt Service funds, combining and individual fund financial statements of the Hamblen County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service and Hospital Debt Service funds, combining and individual fund financial statements of the Hamblen County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial

statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

HAMBLEN COUNTY GOVERNMENT

David W. Purkey
County Mayor



"The People's House"

HAMBLEN COUNTY, TENNESSEE MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2007

This management's discussion and analysis (MD&A) of Hamblen County's financial performance provides an overall view of the county's financial activities for the fiscal year ended June 30, 2007. In addition, this discussion and analysis includes an overall view of the Discretely Presented Component Unit (DPCU) Hamblen County School Department. A separate set of financial statements is not issued for the Hamblen County School Department. The intent of this discussion and analysis is to look at the county's and the DPCU Hamblen County School Department's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the county's financial performance as well as the DPCU School Department's financial performance.

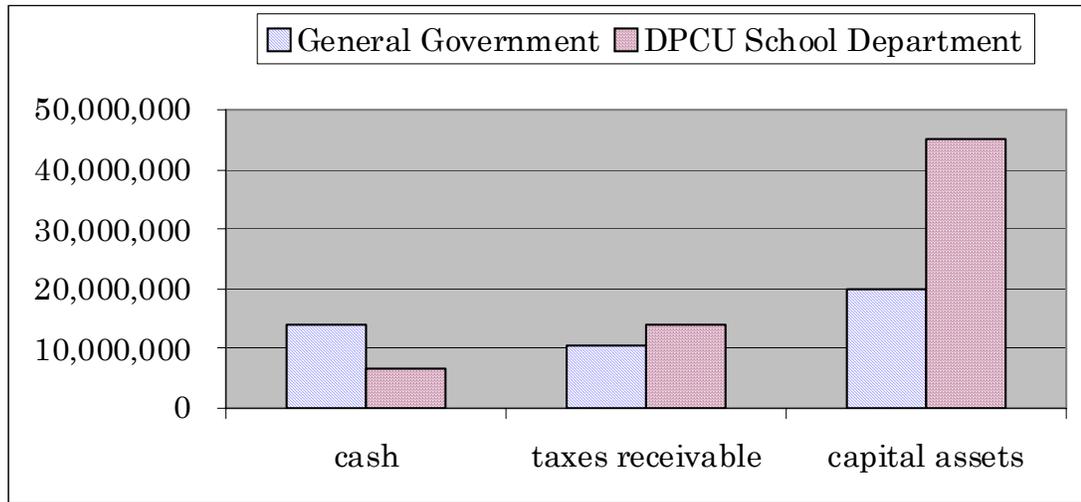
FINANCIAL HIGHLIGHTS FOR FY 2007

Net assets of the Primary Government	(\$ 6,541,414)
Net assets of the DPCU School Department	\$51,952,472

The net assets of the Primary Government increased by \$4 million. The net assets of the DPCU School Department (SD) decreased by \$1 million. The majority of the large discrepancy in the net asset numbers above is related to the fact that school buildings constructed with county debt are recorded as assets for the DPCU SD, but the debt issued to fund those capital assets is recorded as a liability for the Primary Government. All net assets of the Primary Government and the DPCU SD are related to governmental activities.

- General revenues of the Primary Government accounted for \$14.9 million in revenues or 59 percent of all revenues.
- General revenues of the DPCU SD accounted for \$56.2 million or 84 percent of all revenues.
- Program specific revenues of the Primary Government in the form of charges for services and sales, grants, and contributions accounted for \$10.4 million or 41 percent of total governmental activities revenues.
- Total assets of governmental activities of the Primary Government were \$13,806,030 cash, \$10,585,820 taxes receivable (net of allowance), and \$20,006,320 capital assets.

- Total assets of the DPCU SD were \$6,817,420 cash, \$14,018,713 net taxes receivable, and \$45,127,209 capital assets.



Hamblen County reported a total unreserved fund balance for all funds of \$12.3 million, an increase of \$3.9 million from the prior year. Of this amount, the General Fund’s portion was \$2.3 million or 19 percent.

Total unreserved fund balance for the DPCU SD was \$4.9 million, unchanged from the prior year. Of this amount, the General Purpose School Fund was \$4 million or 81 percent.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT (AFR)

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

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

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

Reporting on the County as a Whole

Statement of Net Assets and the Statement of Activities: These statements provide a broad picture of financial activities during fiscal year-end 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the County's Most Significant Funds

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

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

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

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

governmental funds' balance sheets and the governmental funds' statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets, over time, may serve as a useful indicator of a government's financial position. In the case of the county, liabilities exceeded assets by \$6.5 million at the close of the most recent fiscal year. For the DPCU SD, assets exceeded liabilities by \$52 million at the close of the most recent fiscal year.

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

NET ASSETS

Table 1 provides a summary of the county's net assets for fiscal year 2007, and a comparison to the prior year for the Primary Government and the discretely presented School Department.

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

	Hamblen County Government	
	2007	2006
Current and Other Assets	\$ 56,636,362	\$ 50,898,198
Capital Assets	20,006,320	19,518,098
Total Assets	<u>\$ 76,642,682</u>	<u>\$ 70,416,296</u>
Long-term Liabilities Outstanding	\$ 72,327,979	\$ 71,192,929
Other Liabilities	10,856,117	9,803,037
Total Liabilities	<u>\$ 83,184,096</u>	<u>\$ 80,995,966</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 13,351,602	\$ 12,805,113
Restricted	11,501,422	8,159,257
Unrestricted	<u>(31,394,438)</u>	<u>(31,544,040)</u>
Total Net Assets	<u>\$ (6,541,414)</u>	<u>\$ (10,579,670)</u>
	DPCU School Department	
	2007	2006
Current and Other Assets	\$ 23,451,965	\$ 23,041,558
Capital Assets	45,127,209	46,394,511
Total Assets	<u>\$ 68,579,174</u>	<u>\$ 69,436,069</u>
Long-term Liabilities Outstanding	\$ 1,518,203	\$ 1,584,074
Other Liabilities	15,108,499	14,887,209
Total Liabilities	<u>\$ 16,626,702</u>	<u>\$ 16,471,283</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 44,922,239	\$ 45,969,686
Restricted	1,618,847	1,393,398
Unrestricted	<u>5,411,386</u>	<u>5,601,702</u>
Total Net Assets	<u>\$ 51,952,472</u>	<u>\$ 52,964,786</u>

CHANGES IN NET ASSETS

Table 2 shows the changes in net assets for fiscal year 2007, and a comparison to the changes in net assets of the prior year for the Primary Government and the discretely presented School Department.

Table 2

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

	Hamblen County Government		DPCU School Department	
	2007	2006	2007	2006
Revenues:				
Program Revenues:				
Charges for Services	\$ 6,988,968	\$ 6,508,970	\$ 2,482,390	\$ 2,374,616
Operating Grants and Contributions	2,103,182	2,095,059	7,278,577	7,078,826
Capital Grants and Contributions	1,315,748	341,118	648,195	92,236
General Revenues:				
Property Taxes	9,255,886	8,890,685	13,720,668	13,226,517
Sales Taxes	605,279	585,130	10,282,136	10,177,907
Other Taxes	2,010,475	1,933,872	802,823	728,947
Grants and Contributions Not Restricted to Specific Programs	1,586,495	1,138,375	31,324,532	29,286,701
Unrestricted Investment Income	1,095,862	717,799	37,637	20,158
Restricted Investment Income	227,371	19,650	0	0
Miscellaneous	100,098	104,304	32,114	66,530
Gain on Sale of Capital Assets	0	0	38,903	17,547
Total Revenues	<u>\$ 25,289,364</u>	<u>\$ 22,334,962</u>	<u>\$ 66,647,975</u>	<u>\$ 63,069,985</u>
Expenses:				
General Government	\$ 2,012,060	\$ 1,655,314	\$ 0	\$ 0
Finance	1,795,658	1,689,326	0	0
Administration of Justice	1,620,833	1,528,245	0	0
Public Safety	4,559,102	4,762,784	0	0
Public Health and Welfare	3,491,564	4,041,702	0	0
Social, Cultural, and Recreational Services	801,836	752,078	0	0
Agriculture and Natural Resources	156,747	150,388	0	0
Other Operations	920,803	938,390	0	0
Highways	1,976,303	1,922,907	0	0
Education	475,000	60,000	67,660,289	63,588,860
Interest	3,325,127	3,109,082	0	0
Other Debt Service	116,075	126,717	0	0
Total Expenses	<u>\$ 21,251,108</u>	<u>\$ 20,736,933</u>	<u>\$ 67,660,289</u>	<u>\$ 63,588,860</u>
Increase (Decrease) in Net Assets	\$ 4,038,256	\$ 1,598,029	\$ (1,012,314)	\$ (518,875)
Net Assets, July 1	<u>(10,579,670)</u>	<u>(12,177,699)</u>	<u>52,964,786</u>	<u>53,483,661</u>
Net Assets, June 30	<u>\$ (6,541,414)</u>	<u>\$ (10,579,670)</u>	<u>\$ 51,952,472</u>	<u>\$ 52,964,786</u>

FINANCIAL COMPARISON – PRIMARY GOVERNMENT

The General Fund is the chief operating fund of the county. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,323,767, while total fund balance reached \$2,497,218, increases of \$933,153 and \$682,255, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 21 percent of total General Fund expenditures, while total fund balance represents 23 percent of that same amount.

The General Debt Service Fund had a fund balance of \$7.4 million at June 30, 2007, an increase of approximately \$2.3 million. The Hospital Debt Service Fund ended with a fund balance of \$531,129 at June 30, 2007.

The Solid Waste/Sanitation Fund has rebounded nicely over the last several years, from a deficit of \$205,578 at June 30, 2003, to a fund balance of \$548,329 at June 30, 2004, and ending June 30, 2007, with a fund balance of \$1,944,660. This turnaround was a result of a 21-cent tax increase levied during the 2004 year.

FINANCIAL COMPARISON – DPCU SD

The General Purpose School Fund (GPSF) is the chief operating fund of the DPCU School Department. At the end of the current fiscal year, unreserved fund balance of the General Purpose School Fund was \$4 million, a minimal decrease of approximately \$.3 million from the prior year. Total fund balance reached \$5.7 million, an increase of approximately \$.3 million over fund balance a year ago. As a measure of the General Purpose School Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately seven percent of the GPSF expenditures, while total fund balance represents ten percent of that same amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The county's investments in capital assets for its governmental activities as of June 30, 2007, totaled \$13,351,602 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment, roads, highways, and bridges. The DPCU SD's investment in capital assets for its governmental activities as of June 30, 2007, totaled \$44,922,239 (net of accumulated depreciation and related debt).

Note IV.E. (Capital Assets) provides capital assets activity during the 2007 fiscal year.

Long Term Debt: At the end of the 2007 fiscal year, the county had total loan agreements outstanding of \$70 million. Of this amount, all are backed by the full faith and credit of the county. The county's long-term agreements increased by approximately \$800,000 during the 2007 fiscal year, representing further drawdowns on existing agreements. The county maintains an 'A' rating for Standard & Poor's for general obligation debt. Total bonded debt outstanding for the county is \$690,000 for the 2007 year-end. Of this amount, all is

backed by the full faith and credit of the government. The remainder of the Hamblen County Government's debt represents capital outlay notes and capital leases secured by the taxing power of the county and/or the assets financed.

Note IV.H. includes details of the county's capital leases. Note IV.I. discusses details of other long-term debt requirements.

The DPCU SD has a capital lease of \$204,970. Details of these requirements are also included in the note referenced in the preceding paragraph.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the county as of December 2007, was 4.3 percent, slightly below the rate a year ago. The state's average unemployment rate is currently 4.2 percent and the national average is 4.7 percent. Inflationary trends in the region compare favorably to national indices. All of these factors were considered in preparing the county's budget for the 2008 fiscal year.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

Exhibit A

Hamblen County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government Governmental Activities	Component Units	
		Hamblen County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 283,325	\$ 3,376	\$ 676,181
Equity in Pooled Cash and Investments	13,522,705	6,814,044	0
Inventories	0	87,944	0
Accounts Receivable	86,925	544	107,217
Due from Other Governments	652,566	2,527,344	0
Property Taxes Receivable	10,772,765	14,281,117	0
Allowance for Uncollectible Property Taxes	(186,945)	(262,404)	0
Note Receivable - Current	19,444	0	0
Loan Receivable	1,244,877	0	0
Capital Lease Receivable	29,440,000	0	0
Note Receivable - Long-term	77,780	0	0
Deferred Charges - Debt Issuance Cost	722,920	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	420,779	2,542,200	0
Construction in Progress	627,770	112,000	32,023
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	6,823,057	39,640,658	214,976
Other Capital Assets	1,111,013	2,832,351	52,090
Infrastructure	11,023,701	0	0
Total Assets	<u>\$ 76,642,682</u>	<u>\$ 68,579,174</u>	<u>\$ 1,082,487</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 219,551	\$ 1,436,068	\$ 12,323
Accrued Payroll	0	9,899	0
Accrued Interest Payable	339,569	0	0
Payroll Deductions Payable	9,975	208,187	4,467
Contracts Payable	2,735	45,000	0
Retainage Payable	61,115	39,961	0
Deferred Revenue - Current Property Taxes	10,153,615	13,369,384	0
Other Current Liabilities	29,900	0	0
Noncurrent Liabilities:			
Due Within One Year (net of unamortized premium on debt)	1,783,372	462,642	4,137
Due in More than One Year (net of unamortized premium on debt)	70,544,607	1,055,561	12,413
Total Liabilities	<u>\$ 83,144,439</u>	<u>\$ 16,626,702</u>	<u>\$ 33,340</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Hamblen County School Department	Emergency Communica- tions District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 13,351,602	\$ 44,922,239	\$ 0
Invested in Capital Assets	0	0	299,089
Restricted for:			
Solid Waste/Sanitation	2,057,754	0	0
Drug Control	91,041	0	0
Highways	712,306	0	0
Debt Service	7,286,930	0	0
Capital Projects	737,162	0	0
Provisions of Private Act (Hospital)	510,873	0	0
State and Federal Financial Assistance Programs	0	1,618,847	0
Other Purposes	105,356	0	0
Unrestricted	<u>(31,394,438)</u>	<u>5,411,386</u>	<u>750,058</u>
Total Net Assets (Deficit)	<u>\$ (6,541,414)</u>	<u>\$ 51,952,472</u>	<u>\$ 1,049,147</u>

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

Exhibit B

Hamblen County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Total Governmental Activities	Hamblen County School Department	Emergency Communications District
<u>Primary Government:</u>							
Governmental Activities:							
General Government	\$ 2,012,060	\$ 905,883	\$ 20,265	\$ 196,264	\$ (889,648)	\$ 0	\$ 0
Finance	1,795,658	1,684,182	18,158	0	(93,318)	0	0
Administration of Justice	1,620,833	1,381,322	100,218	0	(139,293)	0	0
Public Safety	4,559,102	536,575	63,162	368,584	(3,590,781)	0	0
Public Health and Welfare	3,491,564	2,461,595	201,223	0	(828,746)	0	0
Social, Cultural, and Recreational Services	801,836	19,411	0	9,324	(773,101)	0	0
Agriculture and Natural Resources	156,747	0	0	0	(156,747)	0	0
Other Operations	920,803	0	0	2,200	(918,603)	0	0
Highways	1,976,303	0	1,700,156	615,649	339,502	0	0
Education	475,000	0	0	123,727	(351,273)	0	0
Interest on Long-term Debt	3,325,127	0	0	0	(3,325,127)	0	0
Debt Service	116,075	0	0	0	(116,075)	0	0
Total Primary Government	<u>\$ 21,251,108</u>	<u>\$ 6,988,968</u>	<u>\$ 2,103,182</u>	<u>\$ 1,315,748</u>	<u>\$ (10,843,210)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Component Units:</u>							
Hamblen County School Department	\$ 67,660,289	\$ 2,482,390	\$ 7,278,577	\$ 648,195	0	\$ (57,251,127)	\$ 0
Emergency Communications District	859,170	789,956	0	0	0	0	(69,214)
Total Component Units	<u>\$ 68,519,459</u>	<u>\$ 3,272,346</u>	<u>\$ 7,278,577</u>	<u>\$ 648,195</u>	<u>0</u>	<u>\$ (57,251,127)</u>	<u>\$ (69,214)</u>

(Continued)

Exhibit B

Hamblen County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental	Component Units	
					Total Governmental Activities	Hamblen County School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 5,194,764	\$ 13,720,668	\$ 0	
Property Taxes Levied for Public Health and Welfare Purposes				1,227,411	0	0	
Property Taxes Levied for Debt Purposes				2,833,711	0	0	
Local Option Sales Taxes				605,279	10,282,136	0	
Other Local Taxes				2,010,475	802,823	0	
Grants and Contributions Not Restricted to Specific Programs				1,586,495	31,324,532	359,983	
Unrestricted Investment Income				1,095,862	37,637	25,541	
Investment Income Restricted by Enabling Legislation				227,371	0	0	
Miscellaneous				100,098	32,114	1,373	
Gain on Disposal of Capital Assets				0	38,903	0	
Total General Revenues				\$ 14,881,466	\$ 56,238,813	\$ 386,897	
Change in Net Assets				\$ 4,038,256	\$ (1,012,314)	\$ 317,683	
Net Assets, July 1, 2006				(10,579,670)	52,964,786	731,464	
Net Assets, June 30, 2007				\$ (6,541,414)	\$ 51,952,472	\$ 1,049,147	

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

Exhibit C-1

Hamblen County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 283,325	\$ 283,325
Equity in Pooled Cash and Investments	2,430,698	1,936,277	7,302,675	531,129	1,321,926	13,522,705
Accounts Receivable	44,068	10,148	0	0	8,797	63,013
Due from Other Governments	229,751	121,111	0	0	301,704	652,566
Due from Other Funds	31,026	0	72,000	0	6,121	109,147
Property Taxes Receivable	6,580,792	1,237,259	2,954,714	0	0	10,772,765
Allowance for Uncollectible Property Taxes	(110,816)	(21,838)	(54,291)	0	0	(186,945)
Notes Receivable - Current	0	0	19,444	0	0	19,444
Loan Receivable	0	0	0	0	1,244,877	1,244,877
Capital Lease Receivable	0	0	0	29,440,000	0	29,440,000
Notes Receivable - Long-term	0	0	77,780	0	0	77,780
Total Assets	\$ 9,205,519	\$ 3,282,957	\$ 10,372,322	\$ 29,971,129	\$ 3,166,750	\$ 55,998,677
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 135,006	\$ 60,676	\$ 0	\$ 0	\$ 23,869	\$ 219,551
Payroll Deductions Payable	7,905	670	0	0	1,400	9,975
Contracts Payable	0	0	0	0	2,735	2,735
Retainage Payable	0	0	0	0	61,115	61,115
Due to Other Funds	78,121	0	0	0	7,114	85,235
Other Current Liabilities	29,900	0	0	0	0	29,900
Deferred Revenue - Current Property Taxes	6,223,679	1,163,857	2,766,079	0	0	10,153,615
Deferred Revenue - Delinquent Property Taxes	159,770	45,652	87,148	0	0	292,570
Other Deferred Revenues	73,920	67,442	97,224	29,440,000	156,993	29,835,579
Total Liabilities	\$ 6,708,301	\$ 1,338,297	\$ 2,950,451	\$ 29,440,000	\$ 253,226	\$ 40,690,275
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 68,095	\$ 209,395	\$ 0	\$ 0	\$ 676,236	\$ 953,726
Reserved for Alcohol and Drug Treatment	24,109	0	0	0	0	24,109
Reserved for Drug Court	8,225	0	0	0	0	8,225

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Computer System - Register	\$ 34,694	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,694
Reserved for Automation Purposes - Circuit Court	1,634	0	0	0	0	1,634
Reserved for Loan Receivable	0	0	0	0	1,245,000	1,245,000
Reserved for Capital Outlay	0	0	0	0	100,238	100,238
Other Federal Reserves	0	0	0	0	27,189	27,189
Reserved for Other General Purposes	36,694	0	72,000	510,873	0	619,567
Unreserved, Reported In:						
General Fund	2,323,767	0	0	0	0	2,323,767
Special Revenue Funds	0	1,735,265	0	0	882,825	2,618,090
Debt Service Funds	0	0	7,349,871	20,256	0	7,370,127
Capital Projects Funds (Deficit)	0	0	0	0	(17,964)	(17,964)
Total Fund Balances	\$ 2,497,218	\$ 1,944,660	\$ 7,421,871	\$ 531,129	\$ 2,913,524	\$ 15,308,402
Total Liabilities and Fund Balances	\$ 9,205,519	\$ 3,282,957	\$ 10,372,322	\$ 29,971,129	\$ 3,166,750	\$ 55,998,677

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

Exhibit C-2

Hamblen County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

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)		\$	15,308,402
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	420,779	
Add: construction in progress		627,770	
Add: infrastructure net of accumulated depreciation		11,023,701	
Add: buildings and improvements net of accumulated depreciation		6,823,057	
Add: other capital assets net of accumulated depreciation		<u>1,111,013</u>	20,006,320
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(1,642,979)	
Less: other loans payable		(69,995,000)	
Less: bonds payable		(690,000)	
Add: deferred charges - debt issuance costs		722,920	
Less: accrued interest on bonds, notes, and other loans payable		(339,569)	
Less: other deferred revenue - premium on debt		<u>(39,657)</u>	(71,984,285)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>30,128,149</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(6,541,414)</u></u>

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

Exhibit C-3

Hamblen County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 7,123,221	\$ 1,921,565	\$ 2,988,322	\$ 0	\$ 1,600	\$ 12,034,708
Licenses and Permits	475,057	1,726	0	0	0	476,783
Fines, Forfeitures, and Penalties	233,015	0	76,697	0	75,363	385,075
Charges for Current Services	180,237	0	0	0	1,317,874	1,498,111
Other Local Revenues	86,391	89,420	1,632,438	1,584,653	79,634	3,472,536
Fees Received from County Officials	1,740,007	0	0	0	0	1,740,007
State of Tennessee	974,305	599,854	0	0	1,709,883	3,284,042
Federal Government	660,403	0	0	0	6,122	666,525
Other Governments and Citizens Groups	136,620	0	0	0	0	136,620
Total Revenues	\$ 11,609,256	\$ 2,612,565	\$ 4,697,457	\$ 1,584,653	\$ 3,190,476	\$ 23,694,407
<u>Expenditures</u>						
Current:						
General Government	\$ 1,486,983	\$ 0	\$ 0	\$ 0	\$ 211,209	\$ 1,698,192
Finance	971,967	0	0	0	823,691	1,795,658
Administration of Justice	1,330,857	0	0	0	235,026	1,565,883
Public Safety	4,473,623	0	0	0	101,822	4,575,445
Public Health and Welfare	531,899	1,831,163	0	1,229,653	0	3,592,715
Social, Cultural, and Recreational Services	803,577	0	0	0	0	803,577
Agriculture and Natural Resources	156,747	0	0	0	0	156,747
Other Operations	960,743	0	0	0	0	960,743
Highways	0	0	0	0	1,481,754	1,481,754
Debt Service:						
Principal on Debt	0	0	389,855	0	230,000	619,855
Interest on Debt	2,019	0	1,963,049	1,277,789	48,400	3,291,257
Other Debt Service	0	0	67,026	1,041	608	68,675
Capital Projects	207,627	0	475,000	0	737,427	1,420,054
Total Expenditures	\$ 10,926,042	\$ 1,831,163	\$ 2,894,930	\$ 2,508,483	\$ 3,869,937	\$ 22,030,555
Excess (Deficiency) of Revenues Over Expenditures	\$ 683,214	\$ 781,402	\$ 1,802,527	\$ (923,830)	\$ (679,461)	\$ 1,663,852

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	General Debt Service	Hospital Debt Service	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 475,000	\$ 0	\$ 508,000	\$ 983,000
Other Loans Issued	0	0	0	1,049,149	0	1,049,149
Insurance Recovery	\$ 62,877	\$ 0	\$ 0	\$ 0	\$ 2,412	\$ 65,289
Transfers In	18,338	0	0	0	82,174	100,512
Transfers Out	(82,174)	0	0	0	(18,338)	(100,512)
Total Other Financing Sources (Uses)	\$ (959)	\$ 0	\$ 475,000	\$ 1,049,149	\$ 574,248	\$ 2,097,438
Net Change in Fund Balances	\$ 682,255	\$ 781,402	\$ 2,277,527	\$ 125,319	\$ (105,213)	\$ 3,761,290
Fund Balance, July 1, 2006	1,814,963	1,163,258	5,144,344	405,810	3,018,737	11,547,112
Fund Balance, June 30, 2007	\$ 2,497,218	\$ 1,944,660	\$ 7,421,871	\$ 531,129	\$ 2,913,524	\$ 15,308,402

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

Exhibit C-4

Hamblen County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2007

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)	\$	3,761,290
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 794,330	
Less: current year depreciation expense	<u>(645,804)</u>	148,526
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 615,649	
Less: net book value of asset disposals	(51,652)	
Less: assets donated to municipality	<u>(224,301)</u>	339,696
(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, 2007	\$ 30,128,149	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(29,148,841)</u>	979,308
(4) The issuance of long-term debt (e.g., bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: note proceeds	\$ (983,000)	
Less: other loan proceeds	(1,049,149)	
Add: change in premium on debt issuances	13,294	
Less: change in deferred debt issuance cost	(25,756)	
Add: principal payments on notes	692,855	
Add: principal payments on other loans	230,000	
Less: change in deferred amount on refunding debt	<u>(60,694)</u>	(1,182,450)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable		<u>(8,114)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>4,038,256</u></u>

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

Exhibit D-1

Hamblen County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Other Employee Benefit Trust Fund	
	<u>Employee Benefit Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 2,333,654
Equity in Pooled Cash and Investments	836	39,608
Accounts Receivable	0	391
Due from Other Governments	450	1,668,603
Prior Year Cash Shortages	0	18,564
	<u>0</u>	<u>18,564</u>
Total Assets	<u>\$ 1,286</u>	<u>\$ 4,060,820</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,694	\$ 0
Due to Other Funds	0	22,400
Due to Other Taxing Units	0	1,679,558
Due to Litigants, Heirs, and Others	0	2,330,209
Due to Joint Ventures	0	28,653
	<u>0</u>	<u>28,653</u>
Total Liabilities	<u>\$ 2,694</u>	<u>\$ 4,060,820</u>
<u>NET ASSETS</u>		
Funds Held in Trust for Employees (Deficit)	<u>\$ (1,408)</u>	
Net Assets	<u>\$ (1,408)</u>	

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

Exhibit D-2

Hamblen County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2007

	Other Employee Benefit Trust Fund
	<u>Employee Benefit Trust Fund</u>
<u>ADDITIONS</u>	
Plan Member Contributions	\$ 11,785
Total Additions	<u>\$ 11,785</u>
<u>DEDUCTIONS</u>	
Employee Benefits:	
Other Fringe Benefits	\$ 15,433
Total Deductions	<u>\$ 15,433</u>
Change in Net Assets	\$ (3,648)
Net Assets, July 1, 2006	<u>2,240</u>
Net Assets, June 30, 2007	<u><u>\$ (1,408)</u></u>

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

HAMBLEN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The Hamblen County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hamblen County. The Hamblen County Emergency Communications District is governed by a ten-member Board of Directors, which is appointed by the county mayor and confirmed by the Hamblen County Commission. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Hamblen County School Department does not issue separate financial

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Hamblen County issues all debt for the discretely presented Hamblen County School Department. Capital outlay notes totaling \$475,000 were contributed by the county to the School Department during the year ended June 30, 2007.

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

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

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

Fund financial statements of Hamblen County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Hamblen County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hamblen County reports the following major governmental funds:

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

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

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

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

Additionally, Hamblen County reports the following fund types:

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

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Hamblen County, and assets held in a custodial capacity for a multi-jurisdictional crime unit. Agency funds are custodial in nature

(assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Hamblen County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash

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

2. **Receivables and Payables**

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

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

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

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements. Other current liabilities reflected in the primary government funds represent deposits placed with Hamblen County for construction bonds on area developments (\$29,900).

Retainage payable reflected in the primary government's nonmajor governmental funds (\$61,115) and in the General Purpose School Fund of the discretely presented Hamblen County School Department (\$39,961) 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 fund.

3. Inventories

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

4. Capital Assets

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

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

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

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

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

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

5. Compensated Absences

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

Vacation benefits for all 12-month employees of the discretely presented Hamblen County School Department are earned in the current year for use in the subsequent year. Therefore, accrued leave balances payable of \$168,375 recorded as a liability in this report must be used in one year or are lost.

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

6. Long-term Obligations

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

the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

7. Net Assets and Fund Equity

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

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

The government-wide statement of net assets reports \$11,786,430 of restricted net assets, of which \$510,873 is restricted by enabling legislation.

As of June 30, 2007, Hamblen County had \$34,955,273 in outstanding debt for capital purposes for the discretely presented Hamblen County School Department. This debt is a liability of Hamblen County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hamblen County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

On the Balance Sheet – Governmental Funds (Exhibit C-1), the Reserved for Other General Purposes consists of: 1) primarily revenues received and reserved for mapping (\$34,442) in the General Fund; 2) \$72,000 for an interfund loan in the General Debt Service Fund to indicate it is not available for appropriation; and 3) \$510,873 in the Hospital Debt Service Fund, which is reserved due to provisions of a private act regarding excess payments on the hospital lease.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Hamblen County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds

with the change in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Hamblen County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Net Assets Deficit/Unreserved Fund Balance Deficit

The Employee Benefit Trust Fund (fiduciary fund) had a net assets deficit of \$1,408 at June 30, 2007. This net assets deficit resulted from cafeteria plan payments in excess of payroll deductions. Subsequent to June 30, 2007, additional payroll deductions were deposited into this fund to liquidate the deficit by the plan year ended December 31, 2007.

The General Capital Projects Fund had a deficit in unreserved fund balance of \$17,964 at June 30, 2007. This deficit resulted from the unperformed portions of construction contracts of \$607,722 being reserved as encumbrances. Funding for these future expenditures is expected to be received from transfers.

C. Prior Year Cash Shortages

Prior year cash shortages of \$4,238 and \$14,326 still existed in the Offices of County Clerk and Sheriff, respectively, on June 30, 2007. During a prior year, a former employee of the County Clerk's Office entered into a pre-trial diversion agreement providing for \$15,000 in restitution to be made to the County Clerk's Office over two years. Subsequent to June 30, 2007, the former employee of the County Clerk's Office completed payment of the restitution. A former employee of the Sheriff's Office was acquitted at trial of the theft charges relating to the shortage in that office. County officials are still pursuing options for the collection of this shortage as of the date of this report.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by County Commission in the Other, Social, Cultural, and Recreational major appropriation category (the legal level of control) of the General Fund by \$12,800. Such over expenditures are a violation of state statutes. These over expenditures were funded from available fund balance.

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

The clerk and master did not require one depository holding county funds to pledge securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, deposits at this depository exceeded FDIC coverage by \$31,903. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

held separately by individual funds.

Deposits

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

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of bank failure, Hamblen County's deposits may not be returned to it. Hamblen County does not have a formal policy that limits custodial credit risk for deposits. As of June 30, 2007, nonpooled bank balances of \$31,903 were exposed to custodial credit risk as uninsured and uncollateralized. This amount consists of a certificate of deposit reported in the fiduciary funds. Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

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

executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2007, Hamblen County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Hamblen County and the discretely presented Hamblen County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
State Treasurer's Investment Pool	Daily	\$ 685,852
Federal National Mortgage Association	1-18-08	200,000
Federal Home Loan Bank	8-28-09	99,813
Total		\$ 985,665

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Hamblen County has an investment policy that limits its investment choices to those authorized by state statute, with safety, liquidity, and yield being priorities specified by the policy. As of June 30, 2007, Hamblen County's investment in the State Treasurer's Investment Pool was unrated. Hamblen County's investments in the Federal Home Loan Bank were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's Ratings. Hamblen County's investments in the Federal National Mortgage Association were rated AAA by Standard & Poor's Ratings.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Hamblen County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank and Federal National Mortgage Association. Federal Home Loan Bank and Federal National Mortgage Association represent 10.13 percent and 20.29 percent, respectively, of the county's total investments.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county

will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Hamblen County's investment policy regarding custodial credit risk is the same as state statutes.

B. Note Receivable

The General Debt Service Fund had a long-term note receivable totaling \$97,224 at June 30, 2007. This note receivable resulted from Jefferson Federal Savings and Loan and Lakeway Publishers, Inc., entering into an agreement to repay the county the cost of construction of the amphitheater located in Cherokee Park for the naming rights of the amphitheater. The amount of the note that is not expected to be received within one year is \$77,780.

C. Loan Receivable

The Special Debt Service Fund had an intergovernmental long-term loan receivable totaling \$1,244,877 at June 30, 2007. This loan receivable resulted from the primary government issuing debt on behalf of the Hamblen County-Morristown Solid Waste Disposal System, a joint venture, and entering into an agreement for the joint venture to repay the county the principal and interest requirements on the debt. The amount of the loan not expected to be received within one year is \$1,010,000.

D. Lease Receivable

The Hospital Debt Service Fund had a lease receivable totaling \$29,440,000 at June 30, 2007. This lease receivable resulted from the primary government issuing debt to fund the purchase and lease back of hospital facilities used by the Morristown-Hamblen Hospital Association (MHHA). The agreement requires the county to be paid in amounts equal to the principal requirements on the county's outstanding debt at five percent interest. The original term of the lease is ten years with the lessee having options for ten additional terms of ten years each. Lease terms also allow the lessee to buy out the lease at any time for \$30,000,000 less stipulated credits for charitable care service; however, the minimum buyout terms cannot be lower than the remaining outstanding debt. Once the county's debt is retired, the hospital association will regain title to the assets. The county's debt activity upon which the lease payments are determined was as follows for the year:

	Balance 7-1-06	Issued	Balance 6-30-07
Public Building Authority			
Loan (Series A-2-C)	\$ 10,000,000	\$	0 \$ 10,000,000

Debt Activity (Cont.)	Balance 7-1-06	Issued	Balance 6-30-07
Public Building Authority Loan (Series VI-D-1)	\$ 17,700,851	\$ 1,049,149	\$ 18,750,000
Hospital Revenue and Tax Refunding Bonds	690,000	0	690,000
Total	\$ 28,390,851	\$ 1,049,149	\$ 29,440,000

Annual requirements on these debt issues are presented in Note IV.I. The amount of the lease receivable not expected to be received within one year is \$28,750,000.

E. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 362,779	\$ 58,000	\$ 0	\$ 420,779
Construction in Progress	15,450	612,320	0	627,770
Total Capital Assets Not Depreciated	\$ 378,229	\$ 670,320	\$ 0	\$ 1,048,549
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,960,957	\$ 0	\$ 0	\$ 8,960,957
Roads and Bridges	15,786,468	615,649	(236,107)	16,166,010
Other Capital Assets	3,963,544	124,010	(186,627)	3,900,927
Total Capital Assets Depreciated	\$ 28,710,969	\$ 739,659	\$ (422,734)	\$ 29,027,894
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,891,605	\$ 246,295	\$ 0	\$ 2,137,900

Governmental Activities (Cont.):

	Balance			Balance
	7-1-06	Increases	Decreases	6-30-07
Roads and Bridges	\$ 4,993,947	\$ 160,168	\$ (11,806)	\$ 5,142,309
Other Capital Assets	2,685,548	239,341	(134,975)	2,789,914
Total Accumulated Depreciation	\$ 9,571,100	\$ 645,804	\$ (146,781)	\$ 10,070,123
Total Capital Assets Depreciated, Net	\$ 19,139,869	\$ 93,855	\$ (275,953)	\$ 18,957,771
Governmental Activities Capital Assets, Net	\$ 19,518,098	\$ 764,175	\$ (275,953)	\$ 20,006,320

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

Governmental Activities:

General Government	\$ 65,622
Administration of Justice	120,230
Public Safety	93,018
Public Health and Welfare	82,247
Social, Cultural, and Recreational Services	24,320
Highways/Public Works	260,367
Total Depreciation Expense - Governmental Activities	\$ 645,804

Discretely Presented Hamblen County School Department

Governmental Activities:

	Balance			Balance
	7-1-06	Increases	Decreases	6-30-07
Capital Assets Not Depreciated:				
Land	\$ 2,528,300	\$ 13,900	\$ 0	\$ 2,542,200
Construction in Progress	421,830	112,000	(421,830)	112,000
Total Capital Assets Not Depreciated	\$ 2,950,130	\$ 125,900	\$ (421,830)	\$ 2,654,200

Governmental Activities (Cont.):

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 119,514,128	\$ 613,285	\$ 0	\$ 120,127,413
Other Capital Assets	7,540,685	751,063	(232,216)	8,059,532
Total Capital Assets				
Depreciated	\$ 127,054,813	\$ 1,364,348	\$ (232,216)	\$ 128,186,945
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 78,782,654	\$ 1,704,101	\$ 0	\$ 80,486,755
Other Capital Assets	4,827,778	618,117	(218,714)	5,227,181
Total Accumulated				
Depreciation	\$ 83,610,432	\$ 2,322,218	\$ (218,714)	\$ 85,713,936
Total Capital Assets				
Depreciated, Net	\$ 43,444,381	\$ (957,870)	\$ (13,502)	\$ 42,473,009
Governmental Activities				
Capital Assets, Net	\$ 46,394,511	\$ (831,970)	\$ (435,332)	\$ 45,127,209

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

Governmental Activities:

Instruction	\$ 10,804
Support Services	2,184,572
Operation of Non-Instructional Services	<u>126,842</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 2,322,218</u>

F. Construction Commitments

Primary Government

At June 30, 2007, the General Capital Projects Fund had uncompleted construction contracts of approximately \$607,722 for jail expansion and courthouse maintenance projects. Funding has been received for these future expenditures.

Discretely Presented Hamblen County School Department

At June 30, 2007, the General Purpose School Fund had uncompleted construction contracts of approximately \$889,038 for roofing and other building improvement projects. Funding has been received for these future expenditures.

G. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 8,626
General	Agency	22,400
General Debt Service	General	72,000
Nonmajor governmental	"	6,121
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	75,824
Nonmajor governmental	General Purpose School	28,244

The balance of \$72,000 due to the General Debt Service Fund from the General Fund resulted from an advance to the General Fund for the installation of a telephone system. The amount of the interfund loan not expected to be received within one year is \$54,000.

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

The receivable in the General Fund of \$1,512 was in transit from the Highway/Public Works Fund at June 30, 2007.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 82,174
Nonmajor governmental funds	18,338	0
Total	<u>\$ 18,338</u>	<u>\$ 82,174</u>

Discretely Presented Hamblen County School Department

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
Nonmajor governmental funds	\$ 75,642

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

H. Capital Lease

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

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 80,413
2009	80,413
2010	<u>57,472</u>
Total Minimum Lease Payments	\$ 218,298
Amount Representing Interest	<u>(13,328)</u>
 Present Value of Minimum Lease Payments	 \$ <u><u>204,970</u></u>

I. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to seven years for bonds, up to seven years for notes, and up to 26 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Bonds, notes, and other loans included in long-term debt as of June 30, 2007, will be retired from various funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2007, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-07</u>
Hospital Revenue and Tax Refunding Bonds	4 %	\$ 3,825,000	\$ 690,000
Capital Outlay Notes	2.74 to 3.97	2,478,725	1,642,979
Other Loans - Variable Rate	Variable	10,000,000	10,000,000
Other Loans - Fixed Rate	2 to 5	2,145,000	1,245,000
Other Loans - Synthetic Fixed Rate by Swap	Variable	58,750,000	58,750,000

In prior years, Hamblen County entered into loan agreements with the Sevier County Public Building Authority and Blount County Public Authority. Under these loan agreements, the authorities loaned \$48,750,000 and \$22,145,000, respectively, to Hamblen County for various renovation and construction projects for the county and the discretely presented Hamblen County School Department. In addition to interest, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. The following table summarizes the loan agreements outstanding at June 30, 2007, including interest rates and other loan fees:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates as of 6-30-07	Other Fees on Variable Rate Debt
<u>Sevier County Public</u>					
<u>Building Authority</u>					
Various (Series III-A-3)	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	5.74%	0.41%
Various (Series III-D-2)	10,000,000	10,000,000	Synthetic Fixed by Swap	4.273	0.42
Various (Series IV-B-3)	10,000,000	10,000,000	Variable	3.81	0.45
Hospital (Series VI-D-1)	18,750,000	18,750,000	Synthetic Fixed by Swap	3.991	0.47
<u>Blount County Public</u>					
<u>Building Authority</u>					
Various (Series A-2-B)	10,000,000	10,000,000	Synthetic Fixed by Swap	4.84	0.42
Hospital (Series A-2-C)	10,000,000	10,000,000	Synthetic Fixed by Swap	3.938	0.48
Solid Waste Refunding (Series B-2-A)	2,145,000	<u>1,245,000</u>	Fixed	2 to 5	N/A
Total		<u>\$ 69,995,000</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 690,000	\$ 27,600	\$ 858,372	\$ 31,890
2009	0	0	750,000	13,090
2010	0	0	34,607	1,370
Total	\$ 690,000	\$ 27,600	\$ 1,642,979	\$ 46,350

Year Ending June 30	Other Loan - Series III-A-3 (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 574,000	\$ 41,000	\$ 615,000
2009	0	574,000	41,000	615,000
2010	0	574,000	41,000	615,000
2011	0	574,000	41,000	615,000
2012	0	574,000	41,000	615,000
2013-2017	2,775,000	2,870,000	205,000	5,850,000
2018-2019	7,225,000	627,095	44,793	7,896,888
Total	\$ 10,000,000	\$ 6,367,095	\$ 454,793	\$ 16,821,888

Year Ending June 30	Other Loan - Series III-D-2 (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 427,300	\$ 41,500	\$ 468,800
2009	0	427,300	41,500	468,800
2010	0	427,300	41,500	468,800
2011	0	427,300	41,500	468,800
2012	0	427,300	41,500	468,800
2013-2017	10,000,000	1,218,446	118,337	11,336,783
Total	\$ 10,000,000	\$ 3,354,946	\$ 325,837	\$ 13,680,783

Year Ending June 30	Other Loan - Series IV-B-3 (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 381,000	\$ 45,000	\$ 426,000
2009	1,815,000	381,000	45,000	2,241,000
2010	2,175,000	311,849	36,833	2,523,682
2011	2,290,000	228,981	27,045	2,546,026

Year Ending June 30 (Cont.)	Other Loan - Series IV-B-3 (\$10,000,000)			Total
	Principal	Interest	Other Fees	
2012	2,410,000	141,732	16,740	2,568,472
2013	1,310,000	49,911	5,895	1,365,806
Total	\$ 10,000,000	\$ 1,494,473	\$ 176,513	\$ 11,670,986

Year Ending June 30	Other Loan - Series A-2-B (\$10,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 0	\$ 483,980	\$ 42,000	\$ 525,980
2009	0	483,980	42,000	525,980
2010	0	483,980	42,000	525,980
2011	0	483,980	42,000	525,980
2012	0	483,980	42,000	525,980
2013-2017	0	2,419,900	210,000	2,629,900
2018-2022	4,595,000	2,205,497	191,394	6,991,891
2023-2025	5,405,000	532,620	46,221	5,983,841
Total	\$ 10,000,000	\$ 7,577,917	\$ 657,615	\$ 18,235,532

Year Ending June 30	Other Loan - Series B-2-A (\$2,145,000)		
	Principal	Interest	Total
2008	\$ 235,000	\$ 42,650	\$ 277,650
2009	240,000	35,600	275,600
2010	250,000	28,400	278,400
2011	255,000	20,900	275,900
2012	265,000	13,250	278,250
Total	\$ 1,245,000	\$ 140,800	\$ 1,385,800

Year Ending June 30	Other Loan - Series A-2-C (\$10,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 0	\$ 393,800	\$ 48,000	\$ 441,800
2009	565,000	393,800	48,000	1,006,800
2010	595,000	371,551	45,288	1,011,839
2011	620,000	348,119	42,432	1,010,551
2012	655,000	323,704	39,456	1,018,160
2013-2017	3,790,000	1,205,816	146,976	5,142,792
2018-2021	3,775,000	380,805	46,416	4,202,221
Total	\$ 10,000,000	\$ 3,417,595	\$ 416,568	\$ 13,834,163

Year Ending June 30	Other Loan Series VI-D-1 (\$18,750,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 0	\$ 748,313	\$ 87,936	\$ 836,249
2009	175,000	748,313	87,936	1,011,249
2010	200,000	741,329	87,115	1,028,444
2011	200,000	733,347	86,177	1,019,524
2012	200,000	725,365	85,239	1,010,604
2013-2017	1,225,000	3,494,121	410,602	5,129,723
2018-2022	2,625,000	3,223,731	378,828	6,227,559
2023-2027	8,175,000	2,199,041	258,415	10,632,456
2028-2030	5,950,000	481,914	56,631	6,488,545
Total	\$ 18,750,000	\$ 13,095,474	\$ 1,538,879	\$ 33,384,353

There is \$7,370,127 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$12, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$1,244, based on the 2000 federal census.

Swap Agreements

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

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

Terms. Under the swap, the authority pays the counterparty a fixed payment of 5.74 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable-rate bond associated to the swap. The swap has a notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-A-3. The bonds' variable rates

have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2019. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	5.74%
Variable payment from counterparty		<u>-3.76%</u>
Net interest rate swap payments		1.98%
Variable-rate bond coupon payments		<u>3.76%</u>
 Synthetic interest rate on bonds		 <u><u>5.74%</u></u>

Fair value. As of June 30, 2007, the swap had a negative fair value of \$1,143,819. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, 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 for 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, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate

bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2008	\$ 0	\$ 376,000	\$ 198,000	\$	574,000
2009	0	376,000	198,000		574,000
2010	0	376,000	198,000		574,000
2011	0	376,000	198,000		574,000
2012	0	376,000	198,000		574,000
2013-17	2,775,000	1,880,000	990,000		5,645,000
2018-19	7,225,000	410,780	216,315		7,852,095
Total	<u>\$ 10,000,000</u>	<u>\$ 4,170,780</u>	<u>\$ 2,196,315</u>	<u>\$</u>	<u>16,367,095</u>

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

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

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.265 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The swap has an outstanding notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-D-2. The bonds' variable rates have

historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2017. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.265%
Variable payment from counterparty	70% of LIBOR	<u>-3.752%</u>
Net interest rate swap payments		0.513%
Variable-rate bond coupon payments		<u>3.760%</u>
Synthetic interest rate on bonds		<u><u>4.273%</u></u>

Fair value. As of June 30, 2007, the swap had a negative fair value of \$267,927. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, 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, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination provision. The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate

bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2008	\$ 0	\$ 376,000	\$ 51,300	\$	427,300
2009	0	376,000	51,300		427,300
2010	0	376,000	51,300		427,300
2011	0	376,000	51,300		427,300
2012	0	376,000	51,300		427,300
2013-17	10,000,000	1,072,164	146,282		11,218,446
Total	\$ 10,000,000	\$ 2,952,164	\$ 402,782	\$	13,354,946

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

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

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.39 percent and receives a variable payment computed as 63.4 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has an outstanding notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series A-2-B bonds. The bonds' variable rates

have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2025. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.39%
Variable payment from counterparty	63.4% of LIBOR	<u>-3.36%</u>
Net interest rate swap payments		1.03%
Variable-rate bond coupon payments		<u>3.81%</u>
Synthetic interest rate on bonds		<u><u>4.84%</u></u>

Fair value. As of June 30, 2007, the swap had a negative fair value of \$666,526. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, 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, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk should BMA increase to above 63.4 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 63.4 percent of LIBOR, then the synthetic rate on the bonds will decrease.

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

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

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2008	\$ 0	\$ 381,000	\$ 102,980	\$ 483,980
2009	0	381,000	102,980	483,980
2010	0	381,000	102,980	483,980
2011	0	381,000	102,980	483,980
2012	0	381,000	102,980	483,980
2013-17	0	1,905,000	514,900	2,419,900
2018-22	4,595,000	1,736,217	469,280	6,800,497
2023-25	5,405,000	419,291	113,329	5,937,620
Total	<u>\$ 10,000,000</u>	<u>\$ 5,965,508</u>	<u>\$ 1,612,409</u>	<u>\$ 17,577,917</u>

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

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

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

related swap agreement mature on June 1, 2021. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.26%
Variable payment from counterparty	59% of LIBOR	<u>-3.13%</u>
Net interest rate swap payments		0.13%
Variable-rate bond coupon payments		<u>3.81%</u>
 Synthetic interest rate on bonds		 <u>3.94%</u>

Fair value. As of June 30, 2007, the swap had a positive fair value of \$137,993. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, the county's exposure to credit risk is equal to the amount of the derivative's fair value. However, if interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit. The swap counterparty had rating of Aa3/AA- at the time of the swap. If the credit rating of Morgan Keegan Financial Products, Inc., is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

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

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As

rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2008	\$ 0	\$ 381,000	\$ 12,800	\$ 393,800
2009	565,000	381,000	12,800	958,800
2010	595,000	359,474	12,077	966,551
2011	620,000	336,804	11,315	968,119
2012	655,000	313,182	10,522	978,704
2013-17	3,790,000	1,166,622	39,194	4,995,816
2018-21	3,775,000	368,427	12,378	4,155,805
Total	\$ 10,000,000	\$ 3,306,509	\$ 111,086	\$ 13,417,595

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

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

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.308 percent and receives a variable payment computed as 59 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has an outstanding notional amount of \$18.75 million, and the associated variable-rate bond has an \$18.75 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series VI-D-1 bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2030. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.31%
Variable payment from counterparty	59% of LIBOR	-3.13%
Net interest rate swap payments		0.18%
Variable-rate bond coupon payments		3.81%
Synthetic interest rate on bonds		3.99%

Fair value. As of June 30, 2007, the swap had a positive fair value of \$447,835. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, the county's exposure to credit risk is equal to the amount of the derivative's fair value. However, if interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit. The swap counterparty had rating of Aa3/AA- at the time of the swap. If MKFP's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

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

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2008	\$ 0	\$ 714,375	\$ 33,938	\$ 748,313
2009	175,000	714,375	33,938	923,313
2010	200,000	707,708	33,621	941,329
2011	200,000	700,088	33,259	933,347

Fiscal Year Ending June 30	Variable Rate Bonds (Cont.)			Total
	Principal	Interest	Net Interest Rate Swap Payment	
2012	\$ 200,000	\$ 692,468	\$ 32,897	\$ 925,365
2013-17	1,225,000	3,335,655	158,466	4,719,121
2018-22	2,625,000	3,077,528	146,203	5,848,731
2023-27	8,175,000	2,099,310	99,731	10,374,041
2028-30	5,950,000	460,058	21,856	6,431,914
Total	\$ 18,750,000	\$ 12,501,565	\$ 593,909	\$ 31,845,474

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2006	\$ 690,000	\$ 1,352,834	\$ 69,175,851
Additions	0	983,000	1,049,149
Deductions	0	(692,855)	(230,000)
Balance, June 30, 2007	\$ 690,000	\$ 1,642,979	\$ 69,995,000
Balance Due Within One Year	\$ 690,000	\$ 858,372	\$ 235,000

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 72,327,979
Less: Unamortized Premium on Debt	(39,657)
Less: Balance Due Within One Year	(1,783,372)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 70,504,950

Discretely Presented Hamblen County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hamblen County School Department for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Notes	Capital Leases	Compensated Absences
Balance, July 1, 2006	\$ 150,000	\$ 274,825	\$ 152,721
Additions	0	0	168,375
Deductions	(150,000)	(69,855)	(152,721)
Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 204,970</u>	<u>\$ 168,375</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 72,831</u>	<u>\$ 168,375</u>

	Retirement Incentive	Retirement Honorarium
Balance, July 1, 2006	\$ 282,582	\$ 723,946
Additions	135,639	246,841
Deductions	(150,711)	(93,439)
Balance, June 30, 2007	<u>\$ 267,510</u>	<u>\$ 877,348</u>
Balance Due Within One Year	<u>\$ 135,639</u>	<u>\$ 85,797</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 1,518,203
Less: Balance Due Within One Year	<u>(462,642)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,055,561</u>

In addition to the commitments noted above, the Board of Education appropriates available school funds to be contributed to the primary government each year to help retire school debt, which is being paid from the county's debt service funds. During the year ended June 30, 2007, the School Department contributed \$623,727 to the primary government for this purpose.

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

V. **OTHER INFORMATION**

A. **Risk Management**

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

The discretely presented Hamblen County School Department joined the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. **Subsequent Events**

During the year, the county approved up to \$1,509,500 for the discretely presented Hamblen County School Department for preliminary costs related to the school building program to be provided through an internal capital outlay note borrowed from the Solid Waste/Sanitation Fund and retired from the General Debt Service Fund. Subsequent to year end, the county borrowed and contributed \$248,680 of this amount for the School Department.

On July 31, 2007, Hamblen County issued a \$428,219 capital outlay note for the School Department to purchase buses.

On January 10, 2008, Hamblen County issued a \$1,115,000 capital outlay note for various capital projects.

C. **Contingent Liabilities**

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

D. Change in Administration

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

E. Joint Ventures

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District, Greene, Hamblen, Hancock, and Hawkins counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district.

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

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

The Hamblen County-Morristown Multi-Jurisdictional Crime Unit is a joint venture between Hamblen County and the City of Morristown. The joint venture is operated by a three-member board. The board includes the sheriff,

chief of police, and one additional person who is appointed jointly by the sheriff and the chief of police. The board meets quarterly and appoints a supervisor over the unit every 12 months. The supervisor reviews all spending for the unit and submits financial reports for review by the board at all quarterly meetings.

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

Administrative Offices:

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

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

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

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

F. Jointly Governed Organization

The East Tennessee Regional AgriBusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated (TCA) and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county 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's manager as an ex officio member, is in charge of the daily operations of the center.

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

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

G. Retirement Commitments

Employees

Plan Description

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

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

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

Funding Policy

Hamblen County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 8.46 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamblen County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Hamblen County's annual pension cost of \$1,170,822 to TCRS was equal to Hamblen County's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hamblen County's unfunded actuarial accrued liability is being amortized as

a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 11 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$1,170,822	100%	\$0
6-30-06	875,449	100	0
6-30-05	839,683	100	0

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hamblen County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Hamblen County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$1,843,506, \$1,554,693, and \$1,498,776, respectively, equal to the required contributions for each year.

H. Other Post-employment Benefits

In addition to the retirement commitments described above, the discretely presented Hamblen County School Department provides post-retirement health and life insurance benefits, in accordance with a resolution of the Board of Education, to employees who retire after attaining age 60 and/or with at least 30 years of service with at least 15 years of service with Hamblen County and/or the former Morristown City School Department with the last seven years being continuous service. As of June 30, 2007, 190 retirees from the School Department were participating in the program. The School Department pays health and life insurance premiums for the qualifying retirees until age 65 with the option to continue dependent coverage at the retiree's expense. During the year, expenditures of \$629,511 and \$28,118 were recognized for post-employment health and life insurance premiums from the General Purpose School Fund and the Central Cafeteria Fund, respectively, for the School Department. In addition, the School Department provides post-retirement Medicare Supplement benefits for non-certified retirees who are covered by Medicare benefits, who are covered by a supplement offered by the Tennessee Consolidated Retirement System (TCRS), and who are drawing a monthly retirement allowance from TCRS, in accordance with a resolution of the Hamblen County Commission. The School Department provides Medicare Supplement benefits to non-certified retirees on a graduated scale, which is based on years of service with TCRS. During the year, expenditures of \$12,143 and \$6,433 were recognized in the General Purpose School Fund and the Central Cafeteria Fund, respectively.

I. Termination Benefits

The discretely presented Hamblen County School Department offers a voluntary termination benefits plan to its certified employees in accordance with contract provisions. To be eligible, employees must retire in the school year that they become 60 years of age or obtain 30 years of creditable service in the Tennessee Consolidated Retirement System, whichever comes first. Under the terms of the plan, employees can select between receiving \$4,500 for two years or \$3,500 for three years. During the 2006-07 year, 36 employees participated in the program. The estimated cost of these cash

payments, reported in the government-wide statement of net assets, is \$267,510. Of that amount, \$135,639 is due within one year. The governmental funds' financial statements reflect retirement incentive expenditures of \$150,710 in the General Purpose School Fund.

In addition to the previously mentioned retirement incentive, the discretely presented Hamblen County School Department also offers an additional retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service. Under the terms of the plan, employees receive \$100 for each year of service in the Hamblen County and/or the former Morristown City School System. As of June 30, 2007, 358 employees met the requirements of this benefit. The estimated cost of these cash payments, reported in the government-wide statement of net assets, is \$877,348. Of that amount, \$85,797 is due within one year. The governmental financial statements reflect retirement honorarium expenditures of \$93,440 in the General Purpose School Fund.

J. Office of Central Accounting and Budgeting

Office of Director of Finance

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

K. Purchasing Laws

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Section 5-14-101, et seq., Tennessee Code Annotated (TCA). This act provides for purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

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

Office of Director of Schools

Purchasing procedures for the discretely presented Hamblen County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the county Board of

Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. However, the Board of Education has adopted a more restrictive policy that requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$3,500.

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

A. Nature of the Organization

The district was established by the county for the purpose of enhancing “911” and selective routing services under Tennessee Code Annotated, Sections 7-86-101 through 7-86-117 “Emergency Communications District Law.” The district is a component unit of Hamblen County, Tennessee. It is managed by an 11-member Board of Directors appointed by the Hamblen County Commission for four-year terms. The district is fiscally dependent upon the county as it must obtain County Commission approval before the issuance of most debt, and the County Commission has the ability to adjust the district’s service charges.

B. Significant Accounting Policies

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

	Balance 7-1-06	Additions	Balance 6-30-07	Accumulated Depreciation	Net Capital Assets
Building	\$ 281,245	\$ 0	\$ 281,245	\$ 66,269	\$ 214,976
Communication equipment	437,934	3,957	441,891	397,171	44,720

Capital Assets (Cont.)

	Balance 7-1-06	Additions	Balance 6-30-07	Accumulated Depreciation	Net Capital Assets
Furniture					
fixtures	\$ 162,725	\$ 934	\$ 163,659	\$ 157,562	\$ 6,097
Office equipment	0	1,393	1,393	120	1,273
Automobile	16,837	0	16,837	16,837	0
Construction in Progress	0	32,023	32,023	0	32,023
Total	\$ 898,741	\$ 38,307	\$ 937,048	\$ 637,959	\$ 299,089

c. The straight-line method of depreciation is used, totaling \$37,441 for June 30, 2007. Accumulated depreciation was \$637,959 as of June 30, 2007.

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

C. Deposits

The carrying amount of the district's deposits with financial institutions was \$676,181, and the bank balance was \$691,065.

Custodial Credit Risk – Deposits - \$100,000 of the bank balance at June 30, 2007, was covered by federal depository insurance coverage with the remaining balance collateralized with securities held by the financial institution in the district's name.

D. Contributions

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

E. Concentration of Credit Risk

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

F. Compensated Absences

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

Upon termination, employees are reimbursed for their accumulated annual leave. As of June 30, 2007, this liability is \$16,550 of which \$4,137 is estimated to be current.

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

G. Pension Plan Information

Plan Description

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

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

Funding Policy

The Hamblen County Emergency Communications District requires employees to contribute five percent of earnable compensation. The Hamblen County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 7.93 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Hamblen County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, the Hamblen County Emergency Communications District’s annual pension cost of \$35,882 to TCRS was equal to the Hamblen County Emergency Communications District’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Hamblen County Emergency Communications District’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 15 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$35,882	100%	\$0
6-30-06	31,802	100	0
6-30-05	27,926	100	0

H. Risk Management and Litigation

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,123,221	\$ 0	\$ 0	\$ 7,123,221	\$ 6,928,562	\$ 6,928,562	\$ 194,659
Licenses and Permits	475,057	0	0	475,057	396,000	406,000	69,057
Fines, Forfeitures, and Penalties	233,015	0	0	233,015	227,450	237,450	(4,435)
Charges for Current Services	180,237	0	0	180,237	194,000	184,000	(3,763)
Other Local Revenues	86,391	0	0	86,391	83,920	84,476	1,915
Fees Received from County Officials	1,740,007	0	0	1,740,007	1,616,000	1,574,000	166,007
State of Tennessee	974,305	0	0	974,305	1,149,740	1,064,735	(90,430)
Federal Government	660,403	0	0	660,403	341,921	545,348	115,055
Other Governments and Citizens Groups	136,620	0	0	136,620	52,000	98,114	38,506
Total Revenues	\$ 11,609,256	\$ 0	\$ 0	\$ 11,609,256	\$ 10,989,593	\$ 11,122,685	\$ 486,571
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 131,675	\$ 0	\$ 0	\$ 131,675	\$ 139,579	\$ 135,579	\$ 3,904
Board of Equalization	1,190	0	0	1,190	2,040	2,040	850
County Mayor/Executive	137,225	0	0	137,225	132,366	137,965	740
County Attorney	128,688	0	0	128,688	86,293	136,293	7,605
Election Commission	227,370	(3,195)	2,349	226,524	243,405	242,700	16,176
Register of Deeds	76,396	(2,066)	2,805	77,135	90,219	85,075	7,940
Planning	265,385	0	7,050	272,435	271,516	281,716	9,281
Other Facilities	519,054	(7,326)	2,926	514,654	499,919	535,234	20,580
<u>Finance</u>							
Accounting and Budgeting	156,734	(547)	0	156,187	159,268	160,763	4,576
Purchasing	92,392	(77)	0	92,315	98,122	95,747	3,432
Property Assessor's Office	337,727	(49)	0	337,678	333,303	345,697	8,019
Reappraisal Program	124,495	(1,330)	240	123,405	127,862	127,828	4,423
County Trustee's Office	66,497	0	5	66,502	60,493	68,501	1,999

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 125,512	\$ (1,035)	\$ 515	\$ 124,992	\$ 131,234	\$ 129,255	\$ 4,263
Data Processing	35,331	(95)	0	35,236	37,500	37,500	2,264
Other Finance	33,279	0	0	33,279	37,395	37,395	4,116
<u>Administration of Justice</u>							
Circuit Court	513,036	(9,083)	1,046	504,999	526,215	525,385	20,386
General Sessions Court	234,038	0	51	234,089	279,738	236,139	2,050
Drug Court	134,374	(7,150)	7,319	134,543	133,333	163,333	28,790
Chancery Court	48,208	0	31	48,239	44,601	52,965	4,726
Juvenile Court	359,916	0	33	359,949	388,897	390,273	30,324
Probate Court	3,540	(165)	0	3,375	5,000	5,000	1,625
Probation Services	37,745	0	0	37,745	36,606	37,906	161
<u>Public Safety</u>							
Sheriff's Department	2,210,860	(7,167)	4,051	2,207,744	2,185,840	2,299,909	92,165
Wheel Tax Officer	6,572	0	900	7,472	7,660	7,660	188
Drug Enforcement	8,885	(200)	0	8,685	10,000	10,000	1,315
Administration of the Sexual Offender Registry	2,942	0	0	2,942	3,000	3,000	58
Jail	1,561,314	0	3,749	1,565,063	1,632,875	1,641,317	76,254
Workhouse	69,555	0	0	69,555	70,527	70,459	904
Work Release Program	83,491	0	0	83,491	88,193	86,939	3,448
Fire Prevention and Control	160,000	0	0	160,000	160,000	160,000	0
Civil Defense	71,091	(676)	560	70,975	74,163	76,151	5,176
Rescue Squad	141,436	0	0	141,436	141,436	141,436	0
Other Emergency Management	63,988	(63,988)	0	0	0	0	0
County Coroner/Medical Examiner	91,449	0	0	91,449	76,200	97,200	5,751
Other Public Safety	2,040	0	0	2,040	0	2,230	190

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare</u>							
Local Health Center	\$ 210,199	\$ 0	\$ 2,771	\$ 212,970	\$ 211,052	\$ 220,917	\$ 7,947
Rabies and Animal Control	127,400	0	0	127,400	127,400	127,400	0
Nursing Home	2,000	0	0	2,000	2,000	2,000	0
Crippled Children Services	6,242	0	0	6,242	6,242	6,242	0
Appropriation to State	90,500	0	0	90,500	110,500	90,500	0
Aid to Dependent Children	8,000	0	0	8,000	8,000	8,000	0
Child Support	14,540	0	0	14,540	15,000	15,000	460
Other Local Welfare Services	51,818	0	0	51,818	50,000	54,000	2,182
Sanitation Management	15,000	0	0	15,000	15,000	15,000	0
Other Public Health and Welfare	6,200	0	0	6,200	5,000	6,200	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	11,600	0	0	11,600	11,600	11,600	0
Senior Citizens Assistance	6,500	0	0	6,500	6,500	6,500	0
Libraries	228,500	0	0	228,500	228,500	228,500	0
Parks and Fair Boards	276,019	(1,203)	550	275,366	271,063	283,181	7,815
Other Social, Cultural, and Recreational	280,958	0	0	280,958	268,158	268,158	(12,800)
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	119,264	0	0	119,264	118,969	121,217	1,953
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	36,483	0	0	36,483	36,686	36,686	203
<u>Other Operations</u>							
Tourism	22,500	0	0	22,500	22,500	22,500	0
Industrial Development	42,000	0	0	42,000	42,000	42,000	0
Public Transportation	24,038	0	962	25,000	25,000	25,000	0
Veterans' Services	13,657	0	0	13,657	14,269	13,969	312
Other Charges	367,502	(1,860)	10,182	375,824	366,050	409,062	33,238

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Contributions to Other Agencies	\$ 12,500	\$ 0	\$ 0	\$ 12,500	\$ 0	\$ 12,500	\$ 0
Employee Benefits	478,546	0	0	478,546	707,703	577,427	98,881
<u>Principal on Debt</u>							
General Government	0	0	0	0	18,000	0	0
<u>Interest on Debt</u>							
General Government	2,019	0	0	2,019	2,020	2,020	1
<u>Capital Projects</u>							
General Administration Projects	207,627	(202,777)	0	4,850	0	4,850	0
Public Health and Welfare Projects	0	0	20,000	20,000	0	20,000	0
Total Expenditures	\$ 10,926,042	\$ (309,989)	\$ 68,095	\$ 10,684,148	\$ 11,005,010	\$ 11,198,019	\$ 513,871
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 683,214	\$ 309,989	\$ (68,095)	\$ 925,108	\$ (15,417)	\$ (75,334)	\$ 1,000,442
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 62,877	\$ 0	\$ 0	\$ 62,877	\$ 0	\$ 27,937	\$ 34,940
Transfers In	18,338	0	0	18,338	17,225	27,725	(9,387)
Transfers Out	(82,174)	0	0	(82,174)	0	(82,174)	0
Total Other Financing Sources (Uses)	\$ (959)	\$ 0	\$ 0	\$ (959)	\$ 17,225	\$ (26,512)	\$ 25,553
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 682,255	\$ 309,989	\$ (68,095)	\$ 924,149	\$ 1,808	\$ (101,846)	\$ 1,025,995
	1,814,963	(309,989)	0	1,504,974	738,892	738,892	766,082
Fund Balance, June 30, 2007							
	\$ 2,497,218	\$ 0	\$ (68,095)	\$ 2,429,123	\$ 740,700	\$ 637,046	\$ 1,792,077

Exhibit E-2

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,921,565	\$ 0	\$ 0	\$ 1,921,565	\$ 1,803,823	\$ 1,803,823	\$ 117,742
Licenses and Permits	1,726	0	0	1,726	2,400	2,400	(674)
Other Local Revenues	89,420	0	0	89,420	50,000	50,000	39,420
State of Tennessee	599,854	0	0	599,854	526,000	526,000	73,854
Total Revenues	<u>\$ 2,612,565</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,612,565</u>	<u>\$ 2,382,223</u>	<u>\$ 2,382,223</u>	<u>\$ 230,342</u>
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 1,831,163	\$ (1,912)	\$ 209,395	\$ 2,038,646	\$ 2,190,141	\$ 2,398,717	\$ 360,071
Total Expenditures	<u>\$ 1,831,163</u>	<u>\$ (1,912)</u>	<u>\$ 209,395</u>	<u>\$ 2,038,646</u>	<u>\$ 2,190,141</u>	<u>\$ 2,398,717</u>	<u>\$ 360,071</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 781,402</u>	<u>\$ 1,912</u>	<u>\$ (209,395)</u>	<u>\$ 573,919</u>	<u>\$ 192,082</u>	<u>\$ (16,494)</u>	<u>\$ 590,413</u>
Net Change in Fund Balance	\$ 781,402	\$ 1,912	\$ (209,395)	\$ 573,919	\$ 192,082	\$ (16,494)	\$ 590,413
Fund Balance, July 1, 2006	<u>1,163,258</u>	<u>(1,912)</u>	<u>0</u>	<u>1,161,346</u>	<u>762,694</u>	<u>762,694</u>	<u>398,652</u>
Fund Balance, June 30, 2007	<u>\$ 1,944,660</u>	<u>\$ 0</u>	<u>\$ (209,395)</u>	<u>\$ 1,735,265</u>	<u>\$ 954,776</u>	<u>\$ 746,200</u>	<u>\$ 989,065</u>

Exhibit E-3

Hamblen County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 31,118	\$ 32,819	1,701	94.82 %	\$ 12,410	13.70 %
6-30-03	28,036	29,925	1,889	93.69	11,839	15.96
6-30-01	25,399	27,528	2,129	92.27	10,995	19.36

Exhibit E-4

Hamblen County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Emergency Communications District
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 435	\$ 543	108	80.11 %	\$ 349	30.92 %
6-30-03	326	442	116	73.76	292	39.73
6-30-01	249	362	113	68.78	241	46.89

HAMBLLEN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATION

Expenditures exceeded appropriations approved by County Commission in the Other, Social, Cultural, and Recreational major appropriation category (the legal level of control) of the General Fund by \$12,800. Such over expenditures are a violation of state statutes. These over expenditures were funded by available fund balance.

**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.

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

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

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

Debt Service Fund

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, solid waste debt principal, interest, and related costs.

Capital Projects Funds

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

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

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

Exhibit F-1

Hamblen County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	Total	Special Debt Service	General Capital Projects	Sanitation Projects	Total	
<u>ASSETS</u>									
Cash	\$ 0	\$ 283,325	\$ 0	\$ 283,325	\$ 0	\$ 0	\$ 0	\$ 0	\$ 283,325
Equity in Pooled Cash and Investments	85,301	0	435,490	520,791	123	653,608	147,404	801,012	1,321,926
Accounts Receivable	0	8,797	0	8,797	0	0	0	0	8,797
Due from Other Governments	0	0	301,704	301,704	0	0	0	0	301,704
Due from Other Funds	6,121	0	0	6,121	0	0	0	0	6,121
Loan Receivable	0	0	0	0	1,244,877	0	0	0	1,244,877
Total Assets	\$ 91,422	\$ 292,122	\$ 737,194	\$ 1,120,738	\$ 1,245,000	\$ 653,608	\$ 147,404	\$ 801,012	\$ 3,166,750
<u>LIABILITIES AND FUND BALANCES</u>									
<u>Liabilities</u>									
Accounts Payable	\$ 381	\$ 0	\$ 23,488	\$ 23,869	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,869
Payroll Deductions Payable	0	0	1,400	1,400	0	0	0	0	1,400
Contracts Payable	0	0	0	0	0	2,735	0	2,735	2,735
Retainage Payable	0	0	0	0	0	61,115	0	61,115	61,115
Due to Other Funds	0	7,114	0	7,114	0	0	0	0	7,114
Other Deferred Revenues	0	0	156,993	156,993	0	0	0	0	156,993
Total Liabilities	\$ 381	\$ 7,114	\$ 181,881	\$ 189,376	\$ 0	\$ 63,850	\$ 0	\$ 63,850	\$ 253,226
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 0	\$ 0	\$ 21,348	\$ 21,348	\$ 0	\$ 607,722	\$ 47,166	\$ 654,888	\$ 676,236
Reserved for Loan Receivable	0	0	0	0	1,245,000	0	0	0	1,245,000
Reserved for Capital Outlay	0	0	0	0	0	0	100,238	100,238	100,238
Other Federal Reserves	27,189	0	0	27,189	0	0	0	0	27,189
Unreserved (Deficit)	63,852	285,008	533,965	882,825	0	(17,964)	0	(17,964)	864,861
Total Fund Balances	\$ 91,041	\$ 285,008	\$ 555,313	\$ 931,362	\$ 1,245,000	\$ 589,758	\$ 147,404	\$ 737,162	\$ 2,913,524
Total Liabilities and Fund Balances	\$ 91,422	\$ 292,122	\$ 737,194	\$ 1,120,738	\$ 1,245,000	\$ 653,608	\$ 147,404	\$ 801,012	\$ 3,166,750

Exhibit F-2

Hamblen County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds				Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Total	Special Debt Service	General Capital Projects	Sanitation Projects	Total	
<u>Revenues</u>									
Local Taxes	\$ 0	\$ 0	\$ 1,600	\$ 1,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,600
Fines, Forfeitures, and Penalties	75,363	0	0	75,363	0	0	0	0	75,363
Charges for Current Services	0	1,317,874	0	1,317,874	0	0	0	0	1,317,874
Other Local Revenues	7,392	0	23,234	30,626	49,008	0	0	0	79,634
State of Tennessee	15,000	0	1,692,496	1,707,496	0	2,387	0	2,387	1,709,883
Federal Government	6,122	0	0	6,122	0	0	0	0	6,122
Total Revenues	\$ 103,877	\$ 1,317,874	\$ 1,717,330	\$ 3,139,081	\$ 49,008	\$ 2,387	\$ 0	\$ 2,387	\$ 3,190,476
<u>Expenditures</u>									
Current:									
General Government	\$ 0	\$ 211,209	\$ 0	\$ 211,209	\$ 0	\$ 0	\$ 0	\$ 0	\$ 211,209
Finance	0	823,691	0	823,691	0	0	0	0	823,691
Administration of Justice	0	235,026	0	235,026	0	0	0	0	235,026
Public Safety	101,702	120	0	101,822	0	0	0	0	101,822
Highways	0	0	1,481,754	1,481,754	0	0	0	0	1,481,754
Debt Service:									
Principal on Debt	0	0	0	0	230,000	0	0	0	230,000
Interest on Debt	0	0	0	0	48,400	0	0	0	48,400
Other Debt Service	0	0	0	0	608	0	0	0	608
Capital Projects	0	0	0	0	0	718,020	19,407	737,427	737,427
Total Expenditures	\$ 101,702	\$ 1,270,046	\$ 1,481,754	\$ 2,853,502	\$ 279,008	\$ 718,020	\$ 19,407	\$ 737,427	\$ 3,869,937
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,175	\$ 47,828	\$ 235,576	\$ 285,579	\$ (230,000)	\$ (715,633)	\$ (19,407)	\$ (735,040)	\$ (679,461)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 508,000	\$ 0	\$ 508,000	\$ 508,000
Insurance Recovery	0	0	2,412	2,412	0	0	0	0	2,412
Transfers In	0	0	0	0	0	82,174	0	82,174	82,174
Transfers Out	0	0	(18,338)	(18,338)	0	0	0	0	(18,338)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (15,926)	\$ (15,926)	\$ 0	\$ 590,174	\$ 0	\$ 590,174	\$ 574,248
Net Change in Fund Balances	\$ 2,175	\$ 47,828	\$ 219,650	\$ 269,653	\$ (230,000)	\$ (125,459)	\$ (19,407)	\$ (144,866)	\$ (105,213)
Fund Balance, July 1, 2006	88,866	237,180	335,663	661,709	1,475,000	715,217	166,811	882,028	3,018,737
Fund Balance, June 30, 2007	\$ 91,041	\$ 285,008	\$ 555,313	\$ 931,362	\$ 1,245,000	\$ 589,758	\$ 147,404	\$ 737,162	\$ 2,913,524

Exhibit F-3

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 75,363	\$ 0	\$ 75,363	\$ 16,500	\$ 58,500	\$ 16,863
Other Local Revenues	7,392	0	7,392	400	400	6,992
State of Tennessee	15,000	0	15,000	0	15,000	0
Federal Government	6,122	0	6,122	16,000	16,000	(9,878)
Total Revenues	\$ 103,877	\$ 0	\$ 103,877	\$ 32,900	\$ 89,900	\$ 13,977
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 101,702	\$ (780)	\$ 100,922	\$ 32,900	\$ 107,571	\$ 6,649
Total Expenditures	\$ 101,702	\$ (780)	\$ 100,922	\$ 32,900	\$ 107,571	\$ 6,649
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,175	\$ 780	\$ 2,955	\$ 0	\$ (17,671)	\$ 20,626
Net Change in Fund Balance	\$ 2,175	\$ 780	\$ 2,955	\$ 0	\$ (17,671)	\$ 20,626
Fund Balance, July 1, 2006	88,866	(780)	88,086	86,831	86,831	1,255
Fund Balance, June 30, 2007	\$ 91,041	\$ 0	\$ 91,041	\$ 86,831	\$ 69,160	\$ 21,881

Exhibit F-4

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,600	\$ 0	\$ 0	\$ 1,600	\$ 1,600	\$ 1,600	\$ 0
Other Local Revenues	23,234	0	0	23,234	17,500	17,500	5,734
State of Tennessee	1,692,496	0	0	1,692,496	1,726,760	1,726,760	(34,264)
Total Revenues	\$ 1,717,330	\$ 0	\$ 0	\$ 1,717,330	\$ 1,745,860	\$ 1,745,860	\$ (28,530)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 311,598	\$ (90)	\$ 700	\$ 312,208	\$ 330,952	\$ 330,952	\$ 18,744
Highway and Bridge Maintenance	871,010	0	20,558	891,568	1,018,470	1,018,470	126,902
Operation and Maintenance of Equipment	239,799	(434)	90	239,455	297,913	297,913	58,458
Employee Benefits	48,150	0	0	48,150	75,185	75,185	27,035
Capital Outlay	11,197	0	0	11,197	42,365	42,365	31,168
Total Expenditures	\$ 1,481,754	\$ (524)	\$ 21,348	\$ 1,502,578	\$ 1,764,885	\$ 1,764,885	\$ 262,307
Excess (Deficiency) of Revenues Over Expenditures	\$ 235,576	\$ 524	\$ (21,348)	\$ 214,752	\$ (19,025)	\$ (19,025)	\$ 233,777
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 2,412	\$ 0	\$ 0	\$ 2,412	\$ 0	\$ 6,000	\$ (3,588)
Transfers Out	(18,338)	0	0	(18,338)	(18,500)	(18,500)	162
Total Other Financing Sources (Uses)	\$ (15,926)	\$ 0	\$ 0	\$ (15,926)	\$ (18,500)	\$ (12,500)	\$ (3,426)
Net Change in Fund Balance	\$ 219,650	\$ 524	\$ (21,348)	\$ 198,826	\$ (37,525)	\$ (31,525)	\$ 230,351
Fund Balance, July 1, 2006	335,663	(524)	0	335,139	333,527	333,527	1,612
Fund Balance, June 30, 2007	\$ 555,313	\$ 0	\$ (21,348)	\$ 533,965	\$ 296,002	\$ 302,002	\$ 231,963

Exhibit F-5

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 49,008	\$ 279,060	\$ 279,060	\$ (230,052)
Total Revenues	\$ 49,008	\$ 279,060	\$ 279,060	\$ (230,052)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 230,000	\$ 230,000	\$ 230,000	\$ 0
<u>Interest on Debt</u>				
General Government	48,400	48,400	48,400	0
<u>Other Debt Service</u>				
General Government	608	610	610	2
Total Expenditures	\$ 279,008	\$ 279,010	\$ 279,010	\$ 2
Excess (Deficiency) of Revenues Over Expenditures	\$ (230,000)	\$ 50	\$ 50	\$ (230,050)
Net Change in Fund Balance	\$ (230,000)	\$ 50	\$ 50	\$ (230,050)
Fund Balance, July 1, 2006	1,475,000	1,698,652	1,698,652	(223,652)
Fund Balance, June 30, 2007	\$ 1,245,000	\$ 1,698,702	\$ 1,698,702	\$ (453,702)

Major Governmental Funds

Debt Service Funds

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.

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

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

Exhibit G-1

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,988,322	\$ 2,906,749	\$ 2,906,749	\$ 81,573
Fines, Forfeitures, and Penalties	76,697	73,000	73,000	3,697
Other Local Revenues	1,632,438	1,144,444	1,268,171	364,267
Total Revenues	<u>\$ 4,697,457</u>	<u>\$ 4,124,193</u>	<u>\$ 4,247,920</u>	<u>\$ 449,537</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 266,128	\$ 208,129	\$ 266,129	\$ 1
Education	123,727	0	123,727	0
<u>Interest on Debt</u>				
General Government	281,252	294,729	294,729	13,477
Education	1,681,797	1,804,380	1,743,380	61,583
<u>Other Debt Service</u>				
General Government	67,026	65,000	68,000	974
<u>Capital Projects</u>				
Education Capital Projects	475,000	0	475,000	0
Total Expenditures	<u>\$ 2,894,930</u>	<u>\$ 2,372,238</u>	<u>\$ 2,970,965</u>	<u>\$ 76,035</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,802,527</u>	<u>\$ 1,751,955</u>	<u>\$ 1,276,955</u>	<u>\$ 525,572</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 475,000	\$ 0	\$ 475,000	\$ 0
Transfers In	0	20,020	20,020	(20,020)
Total Other Financing Sources (Uses)	<u>\$ 475,000</u>	<u>\$ 20,020</u>	<u>\$ 495,020</u>	<u>\$ (20,020)</u>
Net Change in Fund Balance	\$ 2,277,527	\$ 1,771,975	\$ 1,771,975	\$ 505,552
Fund Balance, July 1, 2006	5,144,344	5,360,556	5,360,556	(216,212)
Fund Balance, June 30, 2007	<u>\$ 7,421,871</u>	<u>\$ 7,132,531</u>	<u>\$ 7,132,531</u>	<u>\$ 289,340</u>

Exhibit G-2

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hospital Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,584,653	\$ 1,281,282	\$ 1,560,787	\$ 23,866
Total Revenues	\$ 1,584,653	\$ 1,281,282	\$ 1,560,787	\$ 23,866
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Public Health and Welfare	\$ 1,229,653	\$ 0	\$ 1,229,654	\$ 1
<u>Interest on Debt</u>				
General Government	1,277,789	1,177,600	1,277,789	0
<u>Other Debt Service</u>				
General Government	1,041	0	1,041	0
Total Expenditures	\$ 2,508,483	\$ 1,177,600	\$ 2,508,484	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ (923,830)	\$ 103,682	\$ (947,697)	\$ 23,867
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 1,049,149	\$ 0	\$ 1,049,149	\$ 0
Total Other Financing Sources (Uses)	\$ 1,049,149	\$ 0	\$ 1,049,149	\$ 0
Net Change in Fund Balance	\$ 125,319	\$ 103,682	\$ 101,452	\$ 23,867
Fund Balance, July 1, 2006	405,810	405,810	405,810	0
Fund Balance, June 30, 2007	\$ 531,129	\$ 509,492	\$ 507,262	\$ 23,867

Fiduciary Funds

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

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

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

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

Exhibit H-1

Hamblen County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>			
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 2,333,654	\$ 0	\$ 2,333,654
Equity in Pooled Cash and Investments	10,955	0	28,653	39,608
Accounts Receivable	0	391	0	391
Due from Other Governments	1,668,603	0	0	1,668,603
Prior Year Cash Shortages	0	18,564	0	18,564
Total Assets	<u>\$ 1,679,558</u>	<u>\$ 2,352,609</u>	<u>\$ 28,653</u>	<u>\$ 4,060,820</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 22,400	\$ 0	\$ 22,400
Due to Other Taxing Units	1,679,558	0	0	1,679,558
Due to Litigants, Heirs, and Others	0	2,330,209	0	2,330,209
Due to Joint Ventures	0	0	28,653	28,653
Total Liabilities	<u>\$ 1,679,558</u>	<u>\$ 2,352,609</u>	<u>\$ 28,653</u>	<u>\$ 4,060,820</u>

Exhibit H-2

Hamblen County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 10,955	\$ 9,654,438	\$ 9,654,438	\$ 10,955
Due from Other Governments	1,626,688	1,668,603	1,626,688	1,668,603
Total Assets	\$ 1,637,643	\$ 11,323,041	\$ 11,281,126	\$ 1,679,558
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,637,643	\$ 11,323,041	\$ 11,281,126	\$ 1,679,558
Total Liabilities	\$ 1,637,643	\$ 11,323,041	\$ 11,281,126	\$ 1,679,558
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,792,826	\$ 13,174,099	\$ 12,633,271	\$ 2,333,654
Accounts Receivable	0	391	0	391
Prior Year Cash Shortages	26,464	0	7,900	18,564
Total Assets	\$ 1,819,290	\$ 13,174,490	\$ 12,641,171	\$ 2,352,609
<u>Liabilities</u>				
Due to Other Funds	\$ 22,263	\$ 137	\$ 0	\$ 22,400
Due to Litigants, Heirs, and Others	1,797,027	13,174,353	12,641,171	2,330,209
Total Liabilities	\$ 1,819,290	\$ 13,174,490	\$ 12,641,171	\$ 2,352,609
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 14,158	\$ 17,069	\$ 2,574	\$ 28,653
Total Assets	\$ 14,158	\$ 17,069	\$ 2,574	\$ 28,653
<u>Liabilities</u>				
Due to Joint Ventures	\$ 14,158	\$ 17,069	\$ 2,574	\$ 28,653
Total Liabilities	\$ 14,158	\$ 17,069	\$ 2,574	\$ 28,653
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,792,826	\$ 13,174,099	\$ 12,633,271	\$ 2,333,654
Equity in Pooled Cash and Investments	25,113	9,671,507	9,657,012	39,608
Accounts Receivable	0	391	0	391
Due from Other Governments	1,626,688	1,668,603	1,626,688	1,668,603
Prior Year Cash Shortages	26,464	0	7,900	18,564
Total Assets	\$ 3,471,091	\$ 24,514,600	\$ 23,924,871	\$ 4,060,820

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds (Cont.)</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 22,263	\$ 137	\$ 0	\$ 22,400
Due to Other Taxing Units	1,637,643	11,323,041	11,281,126	1,679,558
Due to Litigants, Heirs, and Others	1,797,027	13,174,353	12,641,171	2,330,209
Due to Joint Ventures	14,158	17,069	2,574	28,653
Total Liabilities	<u>\$ 3,471,091</u>	<u>\$ 24,514,600</u>	<u>\$ 23,924,871</u>	<u>\$ 4,060,820</u>

Hamblen County School Department

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

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

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

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

Exhibit I-1

Hamblen County, Tennessee
Statement of Activities
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:					
Instruction	\$ 42,337,298	0	\$ 3,928,379	\$ 173,195	\$ (38,235,724)
Support Services	19,636,842	12,163	53,834	475,000	(19,095,845)
Operation of Non-Instructional Services	5,047,574	2,470,227	3,296,364	0	719,017
Interest on Long-term Debt	14,848	0	0	0	(14,848)
Other Debt Service	623,727	0	0	0	(623,727)
Total Governmental Activities	\$ 67,660,289	\$ 2,482,390	\$ 7,278,577	\$ 648,195	\$ (57,251,127)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 13,720,668
Local Option Sales Taxes					10,282,136
Other Local Taxes					802,823
Grants and Contributions Not Restricted to Specific Programs					31,324,532
Unrestricted Investment Income					37,637
Miscellaneous					32,114
Gain on Disposal of Capital Assets					38,903
Total General Revenues					\$ 56,238,813
Change in Net Assets					\$ (1,012,314)
Net Assets, July 1, 2006					52,964,786
Net Assets, June 30, 2007					\$ 51,952,472

Exhibit I-2

Hamblen County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hamblen County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Cash	\$ 0	\$ 3,376	\$ 3,376
Equity in Pooled Cash and Investments	5,976,708	837,336	6,814,044
Inventories	0	87,944	87,944
Accounts Receivable	397	147	544
Due from Other Governments	2,079,811	447,533	2,527,344
Due from Other Funds	75,824	28,244	104,068
Property Taxes Receivable	14,281,117	0	14,281,117
Allowance for Uncollectible Property Taxes	(262,404)	0	(262,404)
Total Assets	<u>\$ 22,151,453</u>	<u>\$ 1,404,580</u>	<u>\$ 23,556,033</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,431,186	\$ 4,882	\$ 1,436,068
Accrued Payroll	9,899	0	9,899
Payroll Deductions Payable	177,497	30,690	208,187
Contracts Payable	45,000	0	45,000
Retainage Payable	39,961	0	39,961
Due to Other Funds	28,244	75,824	104,068
Deferred Revenue - Current Property Taxes	13,369,384	0	13,369,384
Deferred Revenue - Delinquent Property Taxes	421,214	0	421,214
Other Deferred Revenues	897,818	0	897,818
Total Liabilities	<u>\$ 16,420,203</u>	<u>\$ 111,396</u>	<u>\$ 16,531,599</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 1,445,154	\$ 55,403	\$ 1,500,557
Reserved for Inventory	0	87,944	87,944
Reserved for Career Ladder - Extended Contract	297,890	0	297,890
Reserved for Career Ladder Program	27,773	0	27,773
Reserved for Title I Grants to Local Education Agencies	0	130,781	130,781
Reserved for Innovative Education Program Strategies	0	11,684	11,684
Reserved for Special Education - Grants to States	0	11,769	11,769
Other Federal Reserves	0	56,163	56,163
Unreserved, Reported In:			
General Fund	3,960,433	0	3,960,433
Special Revenue Funds	0	939,440	939,440
Total Fund Balances	<u>\$ 5,731,250</u>	<u>\$ 1,293,184</u>	<u>\$ 7,024,434</u>
Total Liabilities and Fund Balances	<u>\$ 22,151,453</u>	<u>\$ 1,404,580</u>	<u>\$ 23,556,033</u>

Exhibit I-3

Hamblen County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Hamblen County School Department
June 30, 2007

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$	7,024,434
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,542,200	
Add: construction in progress		112,000	
Add: buildings and improvements net of accumulated depreciation		39,640,658	
Add: other capital assets net of accumulated depreciation		<u>2,832,351</u>	45,127,209
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: lease payable	\$	(204,970)	
Less: compensated absences		(168,375)	
Less: retirement incentive		(267,510)	
Less: retirement honorarium		<u>(877,348)</u>	(1,518,203)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,319,032</u>
Net assets of governmental activities (Exhibit A)		\$	<u>51,952,472</u>

Exhibit I-4

Hamblen County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 25,175,321	\$ 0	\$ 25,175,321
Charges for Current Services	664,203	1,806,024	2,470,227
Other Local Revenues	322,416	37,637	360,053
State of Tennessee	30,947,465	55,443	31,002,908
Federal Government	194,081	7,397,717	7,591,798
Other Governments and Citizens Groups	475,000	0	475,000
Total Revenues	<u>\$ 57,778,486</u>	<u>\$ 9,296,821</u>	<u>\$ 67,075,307</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 38,160,083	\$ 4,036,040	\$ 42,196,123
Support Services	16,670,393	657,271	17,327,664
Operation of Non-Instructional Services	707,674	4,213,058	4,920,732
Capital Outlay	1,173,745	0	1,173,745
Debt Service:			
Principal on Debt	219,855	0	219,855
Interest on Debt	14,848	0	14,848
Other Debt Service	623,727	0	623,727
Total Expenditures	<u>\$ 57,570,325</u>	<u>\$ 8,906,369</u>	<u>\$ 66,476,694</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 208,161</u>	<u>\$ 390,452</u>	<u>\$ 598,613</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 58,837	\$ 0	\$ 58,837
Transfers In	75,642	0	75,642
Transfers Out	0	(75,642)	(75,642)
Total Other Financing Sources (Uses)	<u>\$ 134,479</u>	<u>\$ (75,642)</u>	<u>\$ 58,837</u>
Net Change in Fund Balances	\$ 342,640	\$ 314,810	\$ 657,450
Fund Balance, July 1, 2006	<u>5,388,610</u>	<u>978,374</u>	<u>6,366,984</u>
Fund Balance, June 30, 2007	<u>\$ 5,731,250</u>	<u>\$ 1,293,184</u>	<u>\$ 7,024,434</u>

Exhibit I-5

Hamblen County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 657,450
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,068,418	
Less: current year depreciation expense	<u>(2,322,218)</u>	(1,253,800)
(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	\$ 38,903	
Less: proceeds received from disposal of capital assets	<u>(52,405)</u>	(13,502)
(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, 2007	\$ 1,319,032	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(1,787,364)</u>	(468,332)
(4) The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, these transactions have no effect on net assets.		
Add: principal payments on notes	\$ 150,000	
Add: principal payments on lease	<u>69,855</u>	219,855
(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	\$ (15,654)	
Change in retirement incentive	15,071	
Change in retirement honorarium	<u>(153,402)</u>	<u>(153,985)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (1,012,314)</u>

Exhibit I-6

Hamblen County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hamblen County School Department
June 30, 2007

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 3,376	\$ 3,376
Equity in Pooled Cash and Investments	55,798	781,538	837,336
Inventories	0	87,944	87,944
Accounts Receivable	0	147	147
Due from Other Governments	284,437	163,096	447,533
Due from Other Funds	28,244	0	28,244
Total Assets	<u>\$ 368,479</u>	<u>\$ 1,036,101</u>	<u>\$ 1,404,580</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 3,125	\$ 1,757	\$ 4,882
Payroll Deductions Payable	23,730	6,960	30,690
Due to Other Funds	75,824	0	75,824
Total Liabilities	<u>\$ 102,679</u>	<u>\$ 8,717</u>	<u>\$ 111,396</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 55,403	\$ 0	\$ 55,403
Reserved for Inventory	0	87,944	87,944
Reserved for Title I Grants to Local Education Agencies	130,781	0	130,781
Reserved for Innovative Education Program Strategies	11,684	0	11,684
Reserved for Special Education - Grants to States	11,769	0	11,769
Other Federal Reserves	56,163	0	56,163
Unreserved	0	939,440	939,440
Total Fund Balances	<u>\$ 265,800</u>	<u>\$ 1,027,384</u>	<u>\$ 1,293,184</u>
Total Liabilities and Fund Balances	<u>\$ 368,479</u>	<u>\$ 1,036,101</u>	<u>\$ 1,404,580</u>

Exhibit I-7

Hamblen County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,806,024	\$ 1,806,024
Other Local Revenues	0	37,637	37,637
State of Tennessee	0	55,443	55,443
Federal Government	4,880,275	2,517,442	7,397,717
Total Revenues	<u>\$ 4,880,275</u>	<u>\$ 4,416,546</u>	<u>\$ 9,296,821</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,036,040	\$ 0	\$ 4,036,040
Support Services	614,278	42,993	657,271
Operation of Non-Instructional Services	0	4,213,058	4,213,058
Total Expenditures	<u>\$ 4,650,318</u>	<u>\$ 4,256,051</u>	<u>\$ 8,906,369</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 229,957</u>	<u>\$ 160,495</u>	<u>\$ 390,452</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (75,642)	\$ 0	\$ (75,642)
Total Other Financing Sources (Uses)	<u>\$ (75,642)</u>	<u>\$ 0</u>	<u>\$ (75,642)</u>
Net Change in Fund Balances	\$ 154,315	\$ 160,495	\$ 314,810
Fund Balance, July 1, 2006	111,485	866,889	978,374
Fund Balance, June 30, 2007	<u>\$ 265,800</u>	<u>\$ 1,027,384</u>	<u>\$ 1,293,184</u>

Exhibit I-8

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hamblen County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 25,175,321	\$ 0	\$ 0	\$ 25,175,321	\$ 24,611,169	\$ 24,611,169	\$ 564,152
Charges for Current Services	664,203	0	0	664,203	319,435	398,919	265,284
Other Local Revenues	322,416	0	0	322,416	31,796	177,655	144,761
State of Tennessee	30,947,465	0	0	30,947,465	30,780,528	31,196,690	(249,225)
Federal Government	194,081	0	0	194,081	229,365	252,865	(58,784)
Other Governments and Citizens Groups	475,000	0	0	475,000	475,000	475,000	0
Total Revenues	\$ 57,778,486	\$ 0	\$ 0	\$ 57,778,486	\$ 56,447,293	\$ 57,112,298	\$ 666,188
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 30,226,662	\$ (39,176)	\$ 45,815	\$ 30,233,301	\$ 30,615,692	\$ 30,803,438	\$ 570,137
Special Education Program	5,056,417	(350)	1,231	5,057,298	5,098,763	5,098,763	41,465
Vocational Education Program	2,692,536	(34,553)	1,933	2,659,916	2,682,436	2,682,436	22,520
Student Body Education Program	54,166	0	0	54,166	105,400	105,400	51,234
Adult Education Program	130,302	(3,537)	1,511	128,276	153,994	163,994	35,718
<u>Support Services</u>							
Attendance	29,521	0	0	29,521	33,252	33,252	3,731
Health Services	54,583	(2,243)	0	52,340	60,398	60,398	8,058
Other Student Support	900,028	0	0	900,028	970,673	970,673	70,645
Regular Instruction Program	279,070	(3,003)	8,335	284,402	268,279	329,280	44,878
Special Education Program	245,038	(2,106)	0	242,932	245,608	245,608	2,676
Vocational Education Program	121,229	0	0	121,229	123,482	123,482	2,253
Adult Programs	68,234	0	0	68,234	78,579	78,579	10,345
Board of Education	911,835	0	0	911,835	953,010	954,685	42,850
Director of Schools	502,817	(26)	0	502,791	509,824	509,824	7,033
Office of the Principal	3,243,192	0	0	3,243,192	3,337,475	3,337,475	94,283

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 877,957	\$ 0	\$ 1,850	\$ 879,807	\$ 914,059	\$ 914,059	\$ 34,252
Operation of Plant	4,504,613	0	0	4,504,613	3,433,096	4,812,208	307,595
Maintenance of Plant	1,212,869	(8,765)	9,117	1,213,221	1,223,199	1,223,199	9,978
Transportation	2,432,681	(468)	27,349	2,459,562	2,729,745	2,559,653	100,091
Central and Other	1,286,726	(138,037)	115,397	1,264,086	994,980	1,320,202	56,116
<u>Operation of Non-Instructional Services</u>							
Community Services	325,246	(4,267)	309	321,288	343,446	343,446	22,158
Early Childhood Education	382,428	0	0	382,428	327,370	412,832	30,404
<u>Capital Outlay</u>							
Regular Capital Outlay	1,173,745	(519,469)	1,232,307	1,886,583	426,524	1,923,135	36,552
<u>Principal on Debt</u>							
Education	219,855	0	0	219,855	0	219,855	0
<u>Interest on Debt</u>							
Education	14,848	0	0	14,848	0	14,848	0
<u>Other Debt Service</u>							
Education	623,727	0	0	623,727	500,000	623,727	0
Total Expenditures	\$ 57,570,325	\$ (756,000)	\$ 1,445,154	\$ 58,259,479	\$ 56,129,284	\$ 59,864,451	\$ 1,604,972
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 208,161	\$ 756,000	\$ (1,445,154)	\$ (480,993)	\$ 318,009	\$ (2,752,153)	\$ 2,271,160
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 58,837	\$ 0	\$ 0	\$ 58,837	\$ 59,280	\$ 59,280	\$ (443)
Transfers In	75,642	0	0	75,642	47,568	47,568	28,074
Transfers Out	0	0	0	0	(28,244)	(28,244)	28,244
Total Other Financing Sources (Uses)	\$ 134,479	\$ 0	\$ 0	\$ 134,479	\$ 78,604	\$ 78,604	\$ 55,875
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 5,388,610	(756,000)	(1,445,154)	(346,514)	396,613	(2,673,549)	2,327,035
Fund Balance, June 30, 2007	\$ 5,731,250	\$ 0	\$ (1,445,154)	\$ 4,286,096	\$ 2,807,785	\$ 0	\$ 4,286,096

Exhibit I-9

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hamblen County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 4,880,275	\$ 0	\$ 0	\$ 4,880,275	\$ 5,042,586	\$ 5,042,586	\$ (162,311)
Total Revenues	\$ 4,880,275	\$ 0	\$ 0	\$ 4,880,275	\$ 5,042,586	\$ 5,042,586	\$ (162,311)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,916,217	\$ (24,505)	\$ 21,175	\$ 1,912,887	\$ 2,144,639	\$ 2,144,639	\$ 231,752
Special Education Program	1,927,417	(79)	0	1,927,338	1,937,871	1,935,859	8,521
Vocational Education Program	192,406	(67,255)	28,455	153,606	161,558	163,889	10,283
<u>Support Services</u>							
Health Services	184,886	(252)	700	185,334	185,368	194,070	8,736
Other Student Support	38,326	(6,971)	0	31,355	38,792	37,396	6,041
Regular Instruction Program	356,964	(7,041)	5,073	354,996	442,782	442,782	87,786
Special Education Program	21,740	(678)	0	21,062	21,063	21,063	1
Vocational Education Program	3,266	0	0	3,266	4,200	3,266	0
Board of Education	7,191	0	0	7,191	9,200	9,200	2,009
Transportation	1,905	0	0	1,905	8,631	8,631	6,726
Total Expenditures	\$ 4,650,318	\$ (106,781)	\$ 55,403	\$ 4,598,940	\$ 4,954,104	\$ 4,960,795	\$ 361,855
Excess (Deficiency) of Revenues Over Expenditures	\$ 229,957	\$ 106,781	\$ (55,403)	\$ 281,335	\$ 88,482	\$ 81,791	\$ 199,544
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (75,642)	\$ 0	\$ 0	\$ (75,642)	\$ (88,482)	\$ (81,791)	\$ 6,149
Total Other Financing Sources (Uses)	\$ (75,642)	\$ 0	\$ 0	\$ (75,642)	\$ (88,482)	\$ (81,791)	\$ 6,149
Net Change in Fund Balance	\$ 154,315	\$ 106,781	\$ (55,403)	\$ 205,693	\$ 0	\$ 0	\$ 205,693
Fund Balance, July 1, 2006	111,485	(106,781)	0	4,704	0	0	4,704
Fund Balance, June 30, 2007	\$ 265,800	\$ 0	\$ (55,403)	\$ 210,397	\$ 0	\$ 0	\$ 210,397

Exhibit I-10

Hamblen County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hamblen County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,806,024	\$ 1,686,716	\$ 1,686,716	\$ 119,308
Other Local Revenues	37,637	10,000	10,000	27,637
State of Tennessee	55,443	59,535	59,535	(4,092)
Federal Government	2,517,442	2,319,820	2,319,820	197,622
Total Revenues	<u>\$ 4,416,546</u>	<u>\$ 4,076,071</u>	<u>\$ 4,076,071</u>	<u>\$ 340,475</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 42,993	\$ 45,908	\$ 44,408	\$ 1,415
<u>Operation of Non-Instructional Services</u>				
Food Service	4,213,058	4,233,701	4,235,201	22,143
Total Expenditures	<u>\$ 4,256,051</u>	<u>\$ 4,279,609</u>	<u>\$ 4,279,609</u>	<u>\$ 23,558</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 160,495</u>	<u>\$ (203,538)</u>	<u>\$ (203,538)</u>	<u>\$ 364,033</u>
Net Change in Fund Balance	\$ 160,495	\$ (203,538)	\$ (203,538)	\$ 364,033
Fund Balance, July 1, 2006	<u>866,889</u>	<u>203,538</u>	<u>203,538</u>	<u>663,351</u>
Fund Balance, June 30, 2007	<u>\$ 1,027,384</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,027,384</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Hamblen County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Lease, and Bonds
Primary Government and Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07	
<u>PRIMARY GOVERNMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Fund</u>									
Sheriff Patrol Fleet	\$ 400,000	2.74	%	6-30-04	6-30-08	\$ 200,000	\$ 0	\$ 100,000	\$ 100,000
Total Payable through General Fund						\$ 200,000	\$ 0	\$ 100,000	\$ 100,000
<u>Payable through Solid Waste/Sanitation Fund</u>									
Garbage Truck	109,000	2.09		3-26-04	4-1-07	\$ 36,334	\$ 0	\$ 36,334	\$ 0
Neblitt Landfill Site Capital Outlay Note, Series 2005	(1)	3.27		9-23-05	9-23-08	500,000	0	166,666	333,334
Total Payable through Solid Waste/Sanitation Fund						\$ 536,334	\$ 0	\$ 203,000	\$ 333,334
<u>Payable through General Debt Service Fund</u>									
Energy Loan	53,725	3		2-28-01	2-29-08	\$ 16,500	\$ 0	\$ 8,128	\$ 8,372
Jail Annex Second Floor Completion	1,050,000	3.97		3-24-06	3-30-09	600,000	450,000	200,000	850,000
Allison Street Property	58,000	4.33		7-27-06	6-27-07	0	58,000	58,000	0
School Buses 2006	475,000	3.96		10-26-06	10-26-09	0	475,000	123,727	351,273
Total Payable through General Debt Service Fund						\$ 616,500	\$ 983,000	\$ 389,855	\$ 1,209,645
Total Notes Payable						\$ 1,352,834	\$ 983,000	\$ 692,855	\$ 1,642,979
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Various Purposes (Series III-A-3)	10,000,000	Variable (2)		3-19-1998	6-1-19	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Various Purposes (Series III-D-2)	10,000,000	Variable (2)		1-1-1999	6-1-17	10,000,000	0	0	10,000,000
Various Purposes (Series IV-B-3)	10,000,000	Variable		1-1-00	6-1-13	10,000,000	0	0	10,000,000
Various Purposes (Series A-2-B)	10,000,000	Variable (2)		6-1-01	6-1-25	10,000,000	0	0	10,000,000
Total Payable through General Debt Service Fund						\$ 40,000,000	\$ 0	\$ 0	\$ 40,000,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>PRIMARY GOVERNMENT (Cont.)</u>								
<u>OTHER LOANS PAYABLE (Cont.)</u>								
<u>Payable through Special Debt Service Fund</u>								
Solid Waste (Series B-2-A)	\$ 2,145,000	2 to 5 %	6-30-03	6-1-12	\$ 1,475,000	\$ 0	\$ 230,000	\$ 1,245,000
Total Payable through Special Debt Service Fund					\$ 1,475,000	\$ 0	\$ 230,000	\$ 1,245,000
<u>Payable through Hospital Debt Service Fund</u>								
Hospital (Series A-2-C)	10,000,000	Variable (3)	6-1-00	6-1-21	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Hospital (Series VI-D-1)	18,750,000	Variable (3)	12-1-04	6-1-30	17,700,851	1,049,149	0	18,750,000
Total Payable through Hospital Debt Service Fund					\$ 27,700,851	\$ 1,049,149	\$ 0	\$ 28,750,000
Total Other Loans Payable					\$ 69,175,851	\$ 1,049,149	\$ 230,000	\$ 69,995,000
<u>BONDS PAYABLE</u>								
<u>Payable through Hospital Debt Service Fund</u>								
Hospital Revenue and Tax Refunding Bonds, Series 2002	3,825,000	4	3-12-02	5-1-08	\$ 690,000	\$ 0	\$ 0	\$ 690,000
Total Payable through Hospital Debt Service Fund					\$ 690,000	\$ 0	\$ 0	\$ 690,000
Total Bonds Payable					\$ 690,000	\$ 0	\$ 0	\$ 690,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate		Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>DISCRETELY PRESENTED HAMBLEN COUNTY SCHOOL DEPARTMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
School Buses 2004	\$ 450,000	2.62	%	8-3-04	6-30-07	\$ 150,000	\$ 0	\$ 150,000	\$ 0
Total Payable through General Purpose School Fund						<u>\$ 150,000</u>	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 0</u>
Total Notes Payable						<u>\$ 150,000</u>	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 0</u>
<u>CAPITAL LEASE PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
HVAC System	484,750	4.18		2-14-03	4-1-10	\$ 274,825	\$ 0	\$ 69,855	\$ 204,970
Total Capital Lease Payable						<u>\$ 274,825</u>	<u>\$ 0</u>	<u>\$ 69,855</u>	<u>\$ 204,970</u>

- (1) Total amount approved was \$1,000,000, of which \$500,000 remains available for draws as of June 30, 2007.
(2) These issues were swapped to a synthetic fixed rate by execution of swap agreements during the year ended June 30, 2002.
(3) These issues were swapped to a synthetic fixed rate by execution of swap agreements during the year ended June 30, 2006.

Exhibit J-2

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

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

Exhibit J-3

Hamblen County, Tennessee
Schedule of Notes Receivable
June 30, 2007

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-07</u>
<u>General Debt Service Fund</u> Capital Outlay Note	Jefferson Federal Savings and Loan and Lakeway Publishers, Inc.	\$ 175,000	12-26-02	9-1-12	0%	<u>\$ 97,224</u>
Total Notes Receivable						<u><u>\$ 97,224</u></u>

Exhibit J-4

Hamblen County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Capital project	\$ 82,174
Highway/Public Works	General	Salaries	<u>18,338</u>
Total Transfers Primary Government			<u>\$ 100,512</u>
<u>DISCRETELY PRESENTED HAMBLEN COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 75,642</u>

Exhibit J-5

Hamblen County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 80,600	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	69,376	100,000	Cincinnati Insurance Company
Director of Schools	State Board of Education and County Board of Education	104,243 (1)	100,000	Cincinnati Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	63,069	1,905,000	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	63,069	10,000	Cincinnati Insurance Company
Finance Director	County Commission	48,141	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	63,069	50,000	Ohio Casualty Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	63,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	72,440 (2)	50,000	United States Fidelity and Guaranty Company
Register	Section 8-24-102, <u>TCA</u>	63,069	25,000	Ohio Casualty Insurance Company
Sheriff:				
Otto Purkey (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u> and County Commission	12,700 (3)	25,000	Cincinnati Insurance Company
Esco Jarnigan (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u> and County Commission	59,858 (4)	25,000	Ohio Casualty Insurance Company
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			250,000	St. Paul Fire and Marine Insurance Company
Public Employee Dishonesty - School Department			100,000	RLI Insurance Company

- (1) Includes chief executive officer training supplement of \$2,000.
- (2) Includes special commissioner fees of \$9,371.
- (3) Includes \$600 law enforcement training supplement and \$538 supplement as workhouse superintendent.
- (4) Includes \$2,044 supplement as workhouse superintendent.

Exhibit J-6

Hamblen County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2007

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 4,915,484	\$ 1,104,357	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	151,018	40,406	0	0	0
Trustee's Collections - Bankruptcy	83,953	51,314	0	0	0
Circuit/Clerk & Master Collections - Prior Years	34,609	8,405	0	0	0
Interest and Penalty	54,909	20,576	0	0	0
Pick-up Taxes	297	175	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	537	307	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	45,701	0	0	0	0
Payments in-Lieu-of Taxes - Other	2,214	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	594,443	0	0	0
Hotel/Motel Tax	7,696	0	0	0	0
Wheel Tax	785,335	0	0	0	0
Litigation Tax - General	171,998	0	0	0	0
Litigation Tax - Special Purpose	77,422	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	786,630	0	0	0	1,600
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	0	0	0
Wholesale Beer Tax	0	101,582	0	0	0
Interstate Telecommunications Tax	5,418	0	0	0	0
Total Local Taxes	\$ 7,123,221	\$ 1,921,565	\$ 0	\$ 0	\$ 1,600
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 5,349	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	174,367	0	0	0	0
<u>Permits</u>					
Beer Permits	0	1,726	0	0	0
Building Permits	295,341	0	0	0	0
Total Licenses and Permits	\$ 475,057	\$ 1,726	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 5,154	\$ 0	\$ 0	\$ 0	0
Officers Costs	12,840	0	0	0	0
Drug Control Fines	1,539	0	0	0	0
Drug Court Fees	1,493	0	0	0	0
Jail Fees	665	0	0	0	0
DUI Treatment Fines	1,461	0	0	0	0
Data Entry Fee - Circuit Court	778	0	0	0	0
<u>Criminal Court</u>					
Drug Control Fines	0	0	1,766	0	0
<u>General Sessions Court</u>					
Fines	38,656	0	0	0	0
Officers Costs	82,714	0	0	0	0
Game and Fish Fines	2,132	0	0	0	0
Drug Control Fines	12,657	0	12,035	0	0
Drug Court Fees	14,699	0	0	0	0
Jail Fees	1,801	0	0	0	0
Interpreter Fees	71	0	0	0	0
DUI Treatment Fines	11,567	0	0	0	0
Data Entry Fee - General Sessions Court	26,205	0	0	0	0
Courtroom Security Fee	673	0	0	0	0
<u>Juvenile Court</u>					
Fines	6,265	0	0	0	0
Jail Fees	9,800	0	0	0	0
Courtroom Security Fee	336	0	0	0	0
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	1,405	0	0	0	0
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	14	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	90	0	61,562	0	0
Total Fines, Forfeitures, and Penalties	\$ 233,015	\$ 0	\$ 75,363	\$ 0	0

(Continued)

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 54,225	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	10,733	0	0	0	0
Other General Service Charges	225	0	0	0	0
<u>Fees</u>					
Recreation Fees	19,411	0	0	0	0
Copy Fees	16,899	0	0	0	0
Telephone Commissions	51,275	0	0	0	0
Vending Machine Collections	237	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	1,317,874	0
Data Processing Fee - Register	27,232	0	0	0	0
Total Charges for Current Services	\$ 180,237	\$ 0	\$ 0	\$ 1,317,874	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 81,958	\$ 6,959	\$ 0	\$ 17,674
Lease/Rentals	44,764	0	0	0	0
Sale of Materials and Supplies	0	6,160	0	0	0
Sale of Maps	3,049	0	0	0	0
Retirees' Insurance Payments	8,198	0	0	0	0
Miscellaneous Refunds	28,430	1,302	433	0	5,560
<u>Nonrecurring Items</u>					
Sale of Equipment	1,950	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	0
Total Other Local Revenues	\$ 86,391	\$ 89,420	\$ 7,392	\$ 0	\$ 23,234
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 233,398	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	50,482	0	0	0	0
Register	162,104	0	0	0	0
Trustee	577,977	0	0	0	0

(Continued)

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	\$ 177,395	\$ 0	\$ 0	\$ 0	\$ 0
General Sessions Court Clerk	516,970	0	0	0	0
Sheriff	21,681	0	0	0	0
Total Fees Received from County Officials	\$ 1,740,007	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 21,000	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	18,158	0	0	0	0
Solid Waste Grants	49,046	0	0	0	0
Other General Government Grants	1,500	0	0	0	0
<u>Public Safety Grants</u>					
Other Public Safety Grants	0	0	15,000	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	152,177	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	35,025	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	126,867	0	0	0	0
Beer Tax	0	18,753	0	0	0
Alcoholic Beverage Tax	57,884	0	0	0	0
State Revenue Sharing - T.V.A.	43,739	581,101	0	0	0
Contracted Prisoner Boarding	452,529	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,645,736
Petroleum Special Tax	0	0	0	0	46,760
Registrar's Salary Supplement	16,380	0	0	0	0
Total State of Tennessee	\$ 974,305	\$ 599,854	\$ 15,000	\$ 0	\$ 1,692,496
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 19,615	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	319,697	0	0	0	0

(Continued)

Exhibit J-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government (Cont.)</u>					
<u>Federal Through State (Cont.)</u>					
Other Federal through State	\$ 318,691	\$ 0	\$ 0	\$ 0	\$ 0
<u>Direct Federal Revenue</u>					
Asset Forfeiture Funds	0	0	6,122	0	0
Other Direct Federal Revenue	2,400	0	0	0	0
Total Federal Government	<u>\$ 660,403</u>	<u>\$ 0</u>	<u>\$ 6,122</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 2,200	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	128,060	0	0	0	0
<u>Citizens Groups</u>					
Donations	6,360	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 136,620</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 11,609,256</u>	<u>\$ 2,612,565</u>	<u>\$ 103,877</u>	<u>\$ 1,317,874</u>	<u>\$ 1,717,330</u>

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,681,173	\$ 0	\$ 0	\$ 0	\$ 8,701,014
Trustee's Collections - Prior Year	82,374	0	0	0	273,798
Trustee's Collections - Bankruptcy	46,260	0	0	0	181,527
Circuit/Clerk & Master Collections - Prior Years	19,047	0	0	0	62,061
Interest and Penalty	29,516	0	0	0	105,001
Pick-up Taxes	162	0	0	0	634
Payments in-Lieu-of Taxes - T.V.A.	281	0	0	0	1,125
Payments in-Lieu-of Taxes - Local Utilities	24,755	0	0	0	70,456
Payments in-Lieu-of Taxes - Other	1,199	0	0	0	3,413
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	594,443
Hotel/Motel Tax	0	0	0	0	7,696
Wheel Tax	0	0	0	0	785,335
Litigation Tax - General	0	0	0	0	171,998
Litigation Tax - Special Purpose	0	0	0	0	77,422
Litigation Tax - Jail, Workhouse, or Courthouse	72,925	0	0	0	72,925
Business Tax	0	0	0	0	788,230
<u>Statutory Local Taxes</u>					
Bank Excise Tax	30,630	0	0	0	30,630
Wholesale Beer Tax	0	0	0	0	101,582
Interstate Telecommunications Tax	0	0	0	0	5,418
Total Local Taxes	\$ 2,988,322	\$ 0	\$ 0	\$ 0	\$ 12,034,708
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,349
Cable TV Franchise	0	0	0	0	174,367
<u>Permits</u>					
Beer Permits	0	0	0	0	1,726
Building Permits	0	0	0	0	295,341
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 476,783

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	5,154
Officers Costs	0	0	0	0	12,840
Drug Control Fines	0	0	0	0	1,539
Drug Court Fees	0	0	0	0	1,493
Jail Fees	5,459	0	0	0	6,124
DUI Treatment Fines	0	0	0	0	1,461
Data Entry Fee - Circuit Court	0	0	0	0	778
<u>Criminal Court</u>					
Drug Control Fines	0	0	0	0	1,766
<u>General Sessions Court</u>					
Fines	0	0	0	0	38,656
Officers Costs	0	0	0	0	82,714
Game and Fish Fines	0	0	0	0	2,132
Drug Control Fines	0	0	0	0	24,692
Drug Court Fees	0	0	0	0	14,699
Jail Fees	71,238	0	0	0	73,039
Interpreter Fees	0	0	0	0	71
DUI Treatment Fines	0	0	0	0	11,567
Data Entry Fee - General Sessions Court	0	0	0	0	26,205
Courtroom Security Fee	0	0	0	0	673
<u>Juvenile Court</u>					
Fines	0	0	0	0	6,265
Jail Fees	0	0	0	0	9,800
Courtroom Security Fee	0	0	0	0	336
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court	0	0	0	0	1,405
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	14
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	61,652
Total Fines, Forfeitures, and Penalties	\$ 76,697	\$ 0	\$ 0	\$ 0	385,075

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Other Employee Benefit Charges/Contributions	\$ 0	\$ 0	\$ 0	\$ 0	54,225
Work Release Charges for Board	0	0	0	0	10,733
Other General Service Charges	0	0	0	0	225
<u>Fees</u>					
Recreation Fees	0	0	0	0	19,411
Copy Fees	0	0	0	0	16,899
Telephone Commissions	0	0	0	0	51,275
Vending Machine Collections	0	0	0	0	237
Constitutional Officers' Fees and Commissions	0	0	0	0	1,317,874
Data Processing Fee - Register	0	0	0	0	27,232
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	1,498,111
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 989,267	\$ 4	\$ 227,371	\$ 0	1,323,233
Lease/Rentals	19,444	0	1,357,282	0	1,421,490
Sale of Materials and Supplies	0	0	0	0	6,160
Sale of Maps	0	0	0	0	3,049
Retirees' Insurance Payments	0	0	0	0	8,198
Miscellaneous Refunds	0	0	0	0	35,725
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	1,950
<u>Other Local Revenues</u>					
Other Local Revenues	623,727	49,004	0	0	672,731
Total Other Local Revenues	\$ 1,632,438	\$ 49,008	\$ 1,584,653	\$ 0	3,472,536
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	233,398
Clerk and Master	0	0	0	0	50,482
Register	0	0	0	0	162,104
Trustee	0	0	0	0	577,977

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Hospital Debt Service	General Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 177,395
General Sessions Court Clerk	0	0	0	0	516,970
Sheriff	0	0	0	0	21,681
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,740,007
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,000
State Reappraisal Grant	0	0	0	0	18,158
Solid Waste Grants	0	0	0	0	49,046
Other General Government Grants	0	0	0	2,387	3,887
<u>Public Safety Grants</u>					
Other Public Safety Grants	0	0	0	0	15,000
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	152,177
<u>Public Works Grants</u>					
Litter Program	0	0	0	0	35,025
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	126,867
Beer Tax	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	57,884
State Revenue Sharing - T.V.A.	0	0	0	0	624,840
Contracted Prisoner Boarding	0	0	0	0	452,529
Gasoline and Motor Fuel Tax	0	0	0	0	1,645,736
Petroleum Special Tax	0	0	0	0	46,760
Registrar's Salary Supplement	0	0	0	0	16,380
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 2,387	\$ 3,284,042
<u>Federal Government</u>					
<u>Federal Through State</u>					
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,615
Homeland Security Grants	0	0	0	0	319,697

(Continued)

Exhibit J-6

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

	<u>Debt Service Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
	<u>General</u> <u>Debt</u> <u>Service</u>	<u>Special</u> <u>Debt</u> <u>Service</u>	<u>Hospital</u> <u>Debt</u> <u>Service</u>	<u>General</u> <u>Capital</u> <u>Projects</u>	
<u>Federal Government (Cont.)</u>					
<u>Federal Through State (Cont.)</u>					
Other Federal through State	\$ 0	\$ 0	\$ 0	\$ 0	318,691
<u>Direct Federal Revenue</u>					
Asset Forfeiture Funds	0	0	0	0	6,122
Other Direct Federal Revenue	0	0	0	0	2,400
Total Federal Government	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>666,525</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	2,200
Contracted Services	0	0	0	0	128,060
<u>Citizens Groups</u>					
Donations	0	0	0	0	6,360
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>136,620</u>
Total	<u>\$ 4,697,457</u>	<u>\$ 49,008</u>	<u>\$ 1,584,653</u>	<u>\$ 2,387</u>	<u>\$ 23,694,407</u>

Exhibit J-7

Hamblen County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 12,959,001	\$ 0	\$ 0	\$ 12,959,001
Trustee's Collections - Prior Year	398,140	0	0	398,140
Trustee's Collections - Bankruptcy	222,732	0	0	222,732
Circuit/Clerk & Master Collections - Prior Years	135,427	0	0	135,427
Interest and Penalty	124,552	0	0	124,552
Pick-up Taxes	783	0	0	783
Payments in-Lieu-of Taxes - T.V.A.	1,431	0	0	1,431
Payments in-Lieu-of Taxes - Local Utilities	119,964	0	0	119,964
Payments in-Lieu-of Taxes - Other	5,813	0	0	5,813
<u>County Local Option Taxes</u>				
Local Option Sales Tax	10,282,136	0	0	10,282,136
Wheel Tax	793,033	0	0	793,033
<u>Statutory Local Taxes</u>				
Bank Excise Tax	122,519	0	0	122,519
Interstate Telecommunications Tax	9,790	0	0	9,790
Total Local Taxes	\$ 25,175,321	\$ 0	\$ 0	\$ 25,175,321
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 143,179	\$ 0	\$ 0	\$ 143,179
Tuition - Other	246,161	0	0	246,161
Lunch Payments - Children	0	0	1,056,237	1,056,237
Lunch Payments - Adults	0	0	161,884	161,884
Income from Breakfast	0	0	266,116	266,116
A la carte Sales	0	0	281,319	281,319
Receipts from Individual Schools	147,148	0	0	147,148
<u>Other Charges for Services</u>				
Other Charges for Services	127,715	0	40,468	168,183
Total Charges for Current Services	\$ 664,203	\$ 0	\$ 1,806,024	\$ 2,470,227
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 37,637	\$ 37,637
Lease/Rentals	12,089	0	0	12,089
Sale of Materials and Supplies	74	0	0	74
Refund of Telecommunication & Internet Fees (E-Rate)	109,185	0	0	109,185
Miscellaneous Refunds	4,130	0	0	4,130
<u>Nonrecurring Items</u>				
Sale of Equipment	15,404	0	0	15,404
Damages Recovered from Individuals	10,483	0	0	10,483
Contributions and Gifts	153,781	0	0	153,781
<u>Other Local Revenues</u>				
Other Local Revenues	17,270	0	0	17,270
Total Other Local Revenues	\$ 322,416	\$ 0	\$ 37,637	\$ 360,053
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 29,155,899	\$ 0	\$ 0	\$ 29,155,899

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Early Childhood Education	\$ 523,360	\$ 0	\$ 0	\$ 523,360
School Food Service	0	0	55,443	55,443
Driver Education	20,528	0	0	20,528
Other State Education Funds	209,426	0	0	209,426
Career Ladder Program	480,364	0	0	480,364
Career Ladder - Extended Contract	194,451	0	0	194,451
<u>Other State Revenues</u>				
Mixed Drink Tax	14,667	0	0	14,667
Other State Grants	192,845	0	0	192,845
Other State Revenues	155,925	0	0	155,925
Total State of Tennessee	\$ 30,947,465	\$ 0	\$ 55,443	\$ 31,002,908
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,872,398	\$ 1,872,398
Breakfast	0	0	632,298	632,298
USDA - Other	0	0	12,746	12,746
Adult Education State Grant Program	115,110	0	0	115,110
Vocational Education - Basic Grants to States	0	184,664	0	184,664
Other Vocational	23,044	0	0	23,044
Title I Grants to Local Education Agencies	0	1,898,238	0	1,898,238
Innovative Education Program Strategies	0	7,141	0	7,141
Special Education - Grants to States	4,412	2,043,018	0	2,047,430
Special Education Preschool Grants	0	63,591	0	63,591
English Language Acquisition Grants	0	106,278	0	106,278
Safe and Drug-Free Schools - State Grants	0	40,558	0	40,558
Education for Homeless Children and Youth	0	96,426	0	96,426
Eisenhower Professional Development State Grants	0	440,361	0	440,361
Other Federal through State	51,515	0	0	51,515
Total Federal Government	\$ 194,081	\$ 4,880,275	\$ 2,517,442	\$ 7,591,798
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 475,000	\$ 0	\$ 0	\$ 475,000
Total Other Governments and Citizens Groups	\$ 475,000	\$ 0	\$ 0	\$ 475,000
Total	\$ 57,778,486	\$ 4,880,275	\$ 4,416,546	\$ 67,075,307

Exhibit J-8

Hamblen County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	71,000	
Social Security		3,995	
State Retirement		2,942	
Life Insurance		438	
Medical Insurance		36,121	
Employer Medicare		934	
Audit Services		13,183	
Contracts with Private Agencies		1,154	
Dues and Memberships		1,800	
Printing, Stationery, and Forms		108	
Total County Commission			\$ 131,675

Board of Equalization

Board and Committee Members Fees	\$	1,190	
Total Board of Equalization			1,190

County Mayor/Executive

County Official/Administrative Officer	\$	80,600	
Assistant(s)		29,010	
Social Security		6,583	
State Retirement		9,238	
Life Insurance		95	
Medical Insurance		10,159	
Employer Medicare		1,540	
Total County Mayor/Executive			137,225

County Attorney

Other Salaries and Wages	\$	1,200	
Social Security		74	
Employer Medicare		17	
Legal Services		127,397	
Total County Attorney			128,688

Election Commission

County Official/Administrative Officer	\$	56,762	
Deputy(ies)		47,563	
Overtime Pay		6,626	
Election Commission		12,000	
Election Workers		39,935	
Social Security		7,875	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

State Retirement	\$	9,180	
Life Insurance		131	
Medical Insurance		7,947	
Employer Medicare		1,842	
Communication		249	
Contracts with Private Agencies		10,795	
Dues and Memberships		250	
Legal Notices, Recording, and Court Costs		10,426	
Maintenance Agreements		2,529	
Printing, Stationery, and Forms		2,694	
Travel		2,004	
Office Supplies		4,761	
Office Equipment		3,801	
Total Election Commission			\$ 227,370

Register of Deeds

Life Insurance	\$	256	
Medical Insurance		37,638	
Communication		85	
Contracts with Government Agencies		1,860	
Dues and Memberships		613	
Travel		431	
Office Supplies		12,789	
Data Processing Equipment		22,724	
Total Register of Deeds			76,396

Planning

County Official/Administrative Officer	\$	46,927	
Assistant(s)		26,979	
Deputy(ies)		57,292	
Secretary(ies)		21,833	
Board and Committee Members Fees		16,200	
Other Per Diem and Fees		4,200	
Social Security		10,418	
State Retirement		12,947	
Life Insurance		215	
Medical Insurance		33,372	
Employer Medicare		2,436	
Communication		1,656	
Contracts with Government Agencies		16,000	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Data Processing Services	\$	936	
Dues and Memberships		405	
Legal Notices, Recording, and Court Costs		736	
Maintenance Agreements		774	
Maintenance and Repair Services - Office Equipment		298	
Maintenance and Repair Services - Vehicles		1,174	
Printing, Stationery, and Forms		51	
Travel		421	
Gasoline		2,620	
Office Supplies		3,154	
Refunds		404	
In Service/Staff Development		1,448	
Office Equipment		2,489	
Total Planning			\$ 265,385

Other Facilities

Assistant(s)	\$	48,831	
Supervisor/Director		28,829	
Custodial Personnel		65,728	
Part-time Personnel		6,484	
Social Security		8,747	
State Retirement		12,131	
Life Insurance		268	
Medical Insurance		43,305	
Employer Medicare		2,045	
Communication		1,943	
Maintenance Agreements		16,506	
Maintenance and Repair Services - Buildings		82,330	
Maintenance and Repair Services - Equipment		2,477	
Maintenance and Repair Services - Vehicles		505	
Pest Control		2,565	
Custodial Supplies		13,529	
Electricity		142,333	
Natural Gas		38,195	
Uniforms		2,303	
Total Other Facilities			519,054

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	48,141	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Assistant(s)	\$	28,323	
Accountants/Bookkeepers		25,506	
Part-time Personnel		9,313	
Social Security		6,668	
State Retirement		8,732	
Life Insurance		126	
Medical Insurance		17,910	
Employer Medicare		1,560	
Communication		1,837	
Dues and Memberships		948	
Legal Notices, Recording, and Court Costs		831	
Printing, Stationery, and Forms		432	
Travel		2,697	
Office Supplies		2,990	
In Service/Staff Development		720	
Total Accounting and Budgeting			\$ 156,734

Purchasing

County Official/Administrative Officer	\$	39,411	
Purchasing Personnel		25,749	
Social Security		3,620	
State Retirement		5,452	
Life Insurance		95	
Medical Insurance		15,200	
Employer Medicare		846	
Advertising		451	
Communication		4	
Dues and Memberships		80	
Printing, Stationery, and Forms		262	
Travel		549	
Office Supplies		661	
In Service/Staff Development		12	
Total Purchasing			92,392

Property Assessor's Office

County Official/Administrative Officer	\$	63,069	
Deputy(ies)		115,399	
Data Processing Personnel		33,905	
Other Per Diem and Fees		4,724	
Social Security		12,750	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

State Retirement	\$	17,967	
Life Insurance		252	
Medical Insurance		41,582	
Employer Medicare		2,982	
Communication		95	
Contracts with Government Agencies		27,692	
Data Processing Services		9,080	
Dues and Memberships		1,298	
Maintenance Agreements		300	
Maintenance and Repair Services - Office Equipment		120	
Maintenance and Repair Services - Vehicles		731	
Printing, Stationery, and Forms		155	
Travel		963	
Gasoline		2,908	
Office Supplies		1,676	
Office Equipment		79	
Total Property Assessor's Office			\$ 337,727

Reappraisal Program

Deputy(ies)	\$	27,030	
Social Security		1,576	
State Retirement		2,287	
Life Insurance		47	
Medical Insurance		7,352	
Employer Medicare		369	
Contracts with Government Agencies		5,613	
Contracts with Private Agencies		67,845	
Postal Charges		895	
Other Contracted Services		8,529	
Office Supplies		26	
Other Supplies and Materials		247	
Office Equipment		2,679	
Total Reappraisal Program			124,495

County Trustee's Office

Life Insurance	\$	255	
Medical Insurance		42,977	
Communication		53	
Legal Notices, Recording, and Court Costs		129	
Postal Charges		9,640	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Printing, Stationery, and Forms	\$	9,514	
Travel		253	
Office Supplies		2,318	
Office Equipment		1,358	
Total County Trustee's Office			\$ 66,497

County Clerk's Office

Life Insurance	\$	804	
Medical Insurance		87,982	
Communication		1,066	
Maintenance Agreements		18,660	
Printing, Stationery, and Forms		5,111	
Rentals		2,394	
Office Supplies		7,295	
Office Equipment		2,200	
Total County Clerk's Office			125,512

Data Processing

Data Processing Services	\$	6,339	
Maintenance Agreements		15,034	
Data Processing Supplies		328	
Data Processing Equipment		13,630	
Total Data Processing			35,331

Other Finance

Maintenance Personnel	\$	3,170	
Social Security		196	
Employer Medicare		46	
Communication		3,099	
Operating Lease Payments		24,596	
Maintenance and Repair Services - Buildings		11	
Office Supplies		1,706	
Office Equipment		455	
Total Other Finance			33,279

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,069	
Deputy(ies)		231,788	
Part-time Personnel		33,258	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Other Salaries and Wages	\$	22,429	
Board and Committee Members Fees		600	
Jury and Witness Fees		23,210	
Other Per Diem and Fees		453	
Social Security		21,431	
State Retirement		25,255	
Life Insurance		462	
Medical Insurance		45,155	
Employer Medicare		5,012	
Communication		773	
Legal Notices, Recording, and Court Costs		71	
Maintenance Agreements		2,163	
Maintenance and Repair Services - Office Equipment		60	
Printing, Stationery, and Forms		8,294	
Travel		940	
Office Supplies		12,493	
Office Equipment		16,120	
Total Circuit Court			\$ 513,036

General Sessions Court

Judge(s)	\$	190,671	
Social Security		10,650	
State Retirement		10,754	
Life Insurance		47	
Medical Insurance		8,306	
Employer Medicare		2,736	
Communication		216	
Travel		2,868	
Other Contracted Services		5,850	
Office Supplies		1,940	
Total General Sessions Court			234,038

Drug Court

Supervisor/Director	\$	29,994	
Clerical Personnel		21,444	
Social Security		3,040	
State Retirement		4,352	
Life Insurance		86	
Medical Insurance		5,153	
Employer Medicare		711	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court (Cont.)

Communication	\$	7	
Evaluation and Testing		9,651	
Postal Charges		374	
Rentals		2,500	
Travel		15,451	
Drug Treatment		30,155	
Office Supplies		11,456	
Total Drug Court			\$ 134,374

Chancery Court

Life Insurance	\$	252	
Medical Insurance		34,630	
Communication		587	
Printing, Stationery, and Forms		2,498	
Rentals		2,394	
Office Supplies		7,847	
Total Chancery Court			48,208

Juvenile Court

Judge(s)	\$	29,444	
Assistant(s)		30,534	
Probation Officer(s)		19,919	
Youth Service Officer(s)		38,667	
Guidance Personnel		11,250	
Educational Assistants		29,332	
Attendants		104,129	
Part-time Personnel		1,645	
Other Salaries and Wages		1,465	
In-Service Training		395	
Other Per Diem and Fees		1,915	
Social Security		16,100	
State Retirement		9,874	
Life Insurance		173	
Medical Insurance		27,736	
Employer Medicare		3,766	
Communication		3,032	
Consultants		10,399	
Contracts with Government Agencies		2,341	
Dues and Memberships		142	
Evaluation and Testing		4,013	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Maintenance Agreements	\$	1,118	
Travel		1,643	
Other Contracted Services		3,872	
Food Supplies		1,986	
Gasoline		308	
Office Supplies		4,718	
Total Juvenile Court			\$ 359,916

Probate Court

Office Supplies	\$	3,540	
Total Probate Court			3,540

Probation Services

Other Salaries and Wages	\$	35,144	
Social Security		2,108	
Employer Medicare		493	
Total Probation Services			37,745

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	72,558	
Supervisor/Director		36,917	
Deputy(ies)		388,136	
Captain(s)		85,252	
Lieutenant(s)		199,815	
Sergeant(s)		317,966	
Salary Supplements		18,000	
Clerical Personnel		103,134	
Part-time Personnel		18,771	
Overtime Pay		57,577	
Other Salaries and Wages		111,419	
In-Service Training		14,834	
Social Security		84,323	
State Retirement		103,224	
Life Insurance		1,694	
Medical Insurance		212,478	
Employer Medicare		19,721	
Advertising		328	
Communication		16,834	
Dues and Memberships		1,860	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Evaluation and Testing	\$	2,336	
Maintenance Agreements		4,141	
Maintenance and Repair Services - Equipment		4,437	
Maintenance and Repair Services - Vehicles		45,667	
Printing, Stationery, and Forms		5,369	
Rentals		2,260	
Tow-in Services		859	
Travel		8,857	
Gasoline		112,857	
Law Enforcement Supplies		5,856	
Lubricants		4,673	
Office Supplies		11,882	
Tires and Tubes		9,394	
Uniforms		1,511	
Other Charges		9,644	
Principal on Notes		100,000	
Interest on Notes		4,833	
Law Enforcement Equipment		11,443	
Total Sheriff's Department			\$ 2,210,860

Wheel Tax Officer

Communication	\$	592	
Travel		3,412	
Office Supplies		2,568	
Total Wheel Tax Officer			6,572

Drug Enforcement

Law Enforcement Supplies	\$	8,885	
Total Drug Enforcement			8,885

Administration of the Sexual Offender Registry

Office Supplies	\$	1,443	
Office Equipment		1,499	
Total Administration of the Sexual Offender Registry			2,942

Jail

Captain(s)	\$	36,629	
Guards		630,376	
Clerical Personnel		22,965	
Cafeteria Personnel		19,381	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Overtime Pay	\$	30,378	
In-Service Training		235	
Social Security		44,899	
State Retirement		61,924	
Life Insurance		1,350	
Medical Insurance		170,074	
Employer Medicare		10,501	
Maintenance Agreements		6,847	
Maintenance and Repair Services - Buildings		6,950	
Maintenance and Repair Services - Equipment		8,650	
Maintenance and Repair Services - Vehicles		245	
Medical and Dental Services		218,083	
Custodial Supplies		43,219	
Drugs and Medical Supplies		20,359	
Food Supplies		214,056	
Prisoners Clothing		5,336	
Other Charges		8,857	
Total Jail			\$ 1,561,314

Workhouse

Guards	\$	47,285	
Social Security		2,822	
State Retirement		4,000	
Life Insurance		84	
Medical Insurance		14,704	
Employer Medicare		660	
Total Workhouse			69,555

Work Release Program

Supervisor/Director	\$	34,195	
Secretary(ies)		25,416	
In-Service Training		250	
Social Security		3,402	
State Retirement		5,043	
Life Insurance		95	
Medical Insurance		10,685	
Employer Medicare		796	
Communication		11	
Maintenance and Repair Services - Vehicles		591	
Printing, Stationery, and Forms		235	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Work Release Program (Cont.)

Gasoline	\$	1,484	
Office Supplies		1,288	
Total Work Release Program			\$ 83,491

Fire Prevention and Control

Contributions	\$	160,000	
Total Fire Prevention and Control			160,000

Civil Defense

Supervisor/Director	\$	33,624	
Part-time Personnel		10,810	
Social Security		2,749	
State Retirement		2,868	
Life Insurance		42	
Medical Insurance		3,962	
Employer Medicare		643	
Communication		1,272	
Maintenance and Repair Services - Vehicles		1,333	
Printing, Stationery, and Forms		105	
Travel		554	
Gasoline		2,716	
Office Supplies		1,765	
Uniforms		988	
Liability Insurance		2,899	
Other Charges		2,222	
Communication Equipment		2,539	
Total Civil Defense			71,091

Rescue Squad

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

Other Emergency Management

Other Equipment	\$	63,988	
Total Other Emergency Management			63,988

County Coroner/Medical Examiner

Assistant(s)	\$	4,650	
Other Salaries and Wages		79,599	
Other Contracted Services		7,200	
Total County Coroner/Medical Examiner			91,449

(Continued)

Exhibit J-8

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Other Public Safety</u>		
Motor Vehicles	\$ 2,040	
Total Other Public Safety		\$ 2,040
 <u>Public Health and Welfare</u>		
<u>Local Health Center</u>		
Clerical Personnel	\$ 108,189	
Social Security	6,225	
State Retirement	8,495	
Life Insurance	184	
Medical Insurance	27,823	
Employer Medicare	1,456	
Contracts with Government Agencies	53,809	
Travel	1,822	
Other Contracted Services	<u>2,196</u>	
Total Local Health Center		210,199
 <u>Rabies and Animal Control</u>		
Contributions	\$ 127,400	
Total Rabies and Animal Control		127,400
 <u>Nursing Home</u>		
Contributions	\$ 2,000	
Total Nursing Home		2,000
 <u>Crippled Children Services</u>		
Contributions	\$ 6,242	
Total Crippled Children Services		6,242
 <u>Appropriation to State</u>		
Contributions	\$ 90,500	
Total Appropriation to State		90,500
 <u>Aid to Dependent Children</u>		
Contributions	\$ 8,000	
Total Aid to Dependent Children		8,000
 <u>Child Support</u>		
Contributions	\$ 14,540	
Total Child Support		14,540

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

Contributions	\$ 51,818	
Total Other Local Welfare Services		\$ 51,818

Sanitation Management

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

Other Public Health and Welfare

Contributions	\$ 6,200	
Total Other Public Health and Welfare		6,200

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

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

Libraries

Contributions	\$ 228,500	
Total Libraries		228,500

Parks and Fair Boards

County Official/Administrative Officer	\$ 39,100
Supervisor/Director	31,161
Maintenance Personnel	25,333
Overtime Pay	18,629
Other Salaries and Wages	19,982
Social Security	8,303
State Retirement	9,637
Life Insurance	128
Medical Insurance	11,885
Employer Medicare	1,942
Advertising	158
Bank Charges	738
Communication	5,029
Maintenance Agreements	240
Maintenance and Repair Services - Equipment	5,053

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Maintenance and Repair Services - Vehicles	\$	1,253	
Custodial Supplies		8,825	
Diesel Fuel		1,294	
Electricity		16,457	
Gasoline		6,649	
Office Supplies		230	
Uniforms		1,572	
Water and Sewer		14,790	
Other Supplies and Materials		6,327	
Liability Insurance		4,852	
Refunds		150	
Workers' Compensation Insurance		5,215	
Other Charges		2,687	
Other Construction		28,400	
Total Parks and Fair Boards			\$ 276,019

Other Social, Cultural, and Recreational

Contracts with Government Agencies	\$	66,486	
Contributions		214,472	
Total Other Social, Cultural, and Recreational			280,958

Agriculture and Natural Resources

Agriculture Extension Service

Contributions	\$	119,264	
Total Agriculture Extension Service			119,264

Forest Service

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

Soil Conservation

Secretary(ies)	\$	22,907	
Social Security		1,255	
State Retirement		1,938	
Life Insurance		47	
Medical Insurance		10,043	
Employer Medicare		293	
Total Soil Conservation			36,483

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 22,500	
Total Tourism		\$ 22,500

Industrial Development

Contributions	\$ 42,000	
Total Industrial Development		42,000

Public Transportation

Contributions	\$ 24,038	
Total Public Transportation		24,038

Veterans' Services

County Official/Administrative Officer	\$ 12,074	
Social Security	749	
Employer Medicare	175	
Communication	14	
Printing, Stationery, and Forms	48	
Travel	384	
Office Supplies	148	
Office Equipment	65	
Total Veterans' Services		13,657

Other Charges

Communication	\$ 33,405	
Contracts with Private Agencies	45,305	
Dues and Memberships	19,088	
Legal Notices, Recording, and Court Costs	1,951	
Maintenance Agreements	12,255	
Postal Charges	37,455	
Printing, Stationery, and Forms	3,680	
Data Processing Supplies	546	
Duplicating Supplies	1,466	
Office Supplies	2,851	
Premiums on Corporate Surety Bonds	2,622	
Refunds	10,583	
Trustee's Commission	148,986	
Other Charges	39,372	
Data Processing Equipment	1,000	
Office Equipment	6,937	
Total Other Charges		367,502

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 12,500	
Total Contributions to Other Agencies		\$ 12,500

Employee Benefits

Handling Charges and Administrative Costs	\$ 955	
Medical Insurance	106,286	
Unemployment Compensation	11,568	
Other Fringe Benefits	1,135	
Liability Insurance	233,408	
Workers' Compensation Insurance	125,194	
Total Employee Benefits		478,546

Interest on Debt

General Government

Interest on Notes	\$ 2,019	
Total General Government		2,019

Capital Projects

General Administration Projects

Consultants	\$ 2,500	
Voting Machines	109,350	
Other Construction	95,777	
Total General Administration Projects		207,627

Total General Fund \$ 10,926,042

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Foremen	\$ 33,974
Equipment Operators - Heavy	86,011
Truck Drivers	181,597
Laborers	99,722
Overtime Pay	11,351
Social Security	24,565
Handling Charges and Administrative Costs	76
State Retirement	34,813
Life Insurance	870
Medical Insurance	113,708
Unemployment Compensation	4,352

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Employer Medicare	\$	5,745	
Advertising		2,906	
Contracts with Private Agencies		57,886	
Maintenance and Repair Services - Equipment		62,698	
Disposal Fees		642,179	
Diesel Fuel		103,461	
Gasoline		2,279	
Office Supplies		228	
Tires and Tubes		11,412	
Uniforms		4,880	
Other Supplies and Materials		10,258	
Liability Insurance		22,740	
Trustee's Commission		38,184	
Workers' Compensation Insurance		43,470	
Principal on Notes		203,000	
Interest on Notes		17,353	
Other Debt Service		500	
Solid Waste Equipment		10,945	
Total Sanitation Management			\$ 1,831,163

Total Solid Waste/Sanitation Fund \$ 1,831,163

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	8,500	
Dues and Memberships		1,515	
Travel		1,552	
Veterinary Services		2,260	
Other Contracted Services		100	
Animal Food and Supplies		932	
Law Enforcement Supplies		9,222	
Trustee's Commission		820	
Law Enforcement Equipment		35,775	
Motor Vehicles		41,026	
Total Drug Enforcement			\$ 101,702

Total Drug Control Fund 101,702

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 211,209	
Total Register of Deeds		\$ 211,209

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 228,719	
Total County Trustee's Office		228,719

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 594,972	
Total County Clerk's Office		594,972

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 235,026	
Total Chancery Court		235,026

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 120	
Total Sheriff's Department		<u>120</u>

Total Constitutional Officers - Fees Fund		\$ 1,270,046
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 69,376
Assistant(s)	42,015
Accountants/Bookkeepers	31,013
Board and Committee Members Fees	18,400
Social Security	9,674
State Retirement	9,804
Life Insurance	142
Medical Insurance	17,001
Employer Medicare	2,263
Communication	5,345
Dues and Memberships	2,971
Legal Services	4,083
Postal Charges	239

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	189	
Electricity		10,256	
Office Supplies		1,426	
Propane Gas		12,388	
Water and Sewer		975	
Liability Insurance		21,807	
Trustee's Commission		17,064	
Vehicle and Equipment Insurance		21,521	
Other Charges		13,646	
Total Administration			\$ 311,598

Highway and Bridge Maintenance

Foremen	\$	39,920	
Equipment Operators		182,460	
Truck Drivers		203,927	
Laborers		70,328	
Overtime Pay		9,936	
Social Security		30,019	
State Retirement		42,212	
Life Insurance		862	
Medical Insurance		120,155	
Employer Medicare		7,020	
Contracts with Private Agencies		31,841	
Rentals		3,975	
Asphalt - Cold Mix		675	
Asphalt - Hot Mix		67,781	
Concrete		1,883	
Crushed Stone		13,211	
General Construction Materials		1,958	
Other Road Supplies		4,372	
Pipe - Metal		5,212	
Road Signs		7,141	
Uniforms		4,337	
Fencing		21,785	
Total Highway and Bridge Maintenance			871,010

Operation and Maintenance of Equipment

Mechanic(s)	\$	46,790
Overtime Pay		3,170
Social Security		2,986

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

State Retirement	\$	4,227	
Life Insurance		47	
Medical Insurance		6,694	
Employer Medicare		698	
Diesel Fuel		33,104	
Equipment Parts - Heavy		78,793	
Garage Supplies		10,935	
Gasoline		20,399	
Lubricants		5,340	
Small Tools		1,719	
Tires and Tubes		12,992	
Other Supplies and Materials		<u>11,905</u>	
Total Operation and Maintenance of Equipment			\$ 239,799

Employee Benefits

Handling Charges and Administrative Costs	\$	107	
Unemployment Compensation		652	
Other Fringe Benefits		870	
Legal Notices, Recording, and Court Costs		355	
Workers' Compensation Insurance		<u>46,166</u>	
Total Employee Benefits			48,150

Capital Outlay

Bridge Construction	\$	1,150	
Highway Equipment		7,264	
Office Equipment		<u>2,783</u>	
Total Capital Outlay			<u>11,197</u>

Total Highway/Public Works Fund \$ 1,481,754

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	<u>266,128</u>	
Total General Government			\$ 266,128

Education

Principal on Notes	\$	<u>123,727</u>	
Total Education			123,727

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$ 27,258	
Interest on Other Loans	<u>253,994</u>	
Total General Government		\$ 281,252

Education

Interest on Other Loans	\$ <u>1,681,797</u>	
Total Education		1,681,797

Other Debt Service

General Government

Trustee's Commission	\$ <u>67,026</u>	
Total General Government		67,026

Capital Projects

Education Capital Projects

Contributions	\$ <u>475,000</u>	
Total Education Capital Projects		<u>475,000</u>

Total General Debt Service Fund \$ 2,894,930

Special Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$ <u>230,000</u>	
Total General Government		\$ 230,000

Interest on Debt

General Government

Interest on Other Loans	\$ <u>48,400</u>	
Total General Government		48,400

Other Debt Service

General Government

Other Debt Service	\$ <u>608</u>	
Total General Government		<u>608</u>

Total Special Debt Service Fund 279,008

(Continued)

Exhibit J-8

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

<u>Hospital Debt Service Fund</u>		
<u>Public Health and Welfare</u>		
<u>Other Public Health and Welfare</u>		
Other Capital Outlay	\$ 1,229,653	
Total Other Public Health and Welfare		\$ 1,229,653
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 27,600	
Interest on Other Loans	1,250,189	
Total General Government		1,277,789
<u>Other Debt Service</u>		
<u>General Government</u>		
Other Debt Service	\$ 1,041	
Total General Government		1,041
Total Hospital Debt Service Fund		\$ 2,508,483
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Advertising	\$ 638	
Architects	8,325	
Building Improvements	35,400	
Total General Administration Projects		\$ 44,363
<u>Public Safety Projects</u>		
Advertising	\$ 333	
Architects	36,570	
Legal Notices, Recording, and Court Costs	644	
Building Improvements	575,750	
Land	58,017	
Traffic Control Equipment	2,343	
Total Public Safety Projects		673,657
Total General Capital Projects Fund		718,020
<u>Sanitation Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Health and Welfare Projects</u>		
Architects	\$ 17,981	
Legal Notices, Recording, and Court Costs	1,426	
Total Public Health and Welfare Projects		\$ 19,407
Total Sanitation Projects Fund		19,407
Total Governmental Funds - Primary Government		\$ 22,030,555

Exhibit J-9

Hamblen County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hamblen County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 19,938,788	
Career Ladder Program	293,444	
Career Ladder Extended Contracts	168,790	
Educational Assistants	929,106	
Other Salaries and Wages	520,895	
Certified Substitute Teachers	147,760	
Non-certified Substitute Teachers	233,860	
Social Security	1,309,585	
State Retirement	1,337,941	
Life Insurance	24,155	
Medical Insurance	3,544,156	
Unemployment Compensation	8,937	
Employer Medicare	313,297	
Payments to Retirees	226,800	
Other Contracted Services	108,147	
Instructional Supplies and Materials	351,623	
Textbooks	538,321	
Other Supplies and Materials	11,477	
Other Charges	4,814	
Regular Instruction Equipment	214,766	
Total Regular Instruction Program		\$ 30,226,662

Special Education Program

Teachers	\$ 2,854,041
Career Ladder Program	44,249
Career Ladder Extended Contracts	11,000
Educational Assistants	329,668
Certified Substitute Teachers	16,350
Non-certified Substitute Teachers	33,615
Social Security	194,869
State Retirement	203,607
Life Insurance	3,693
Medical Insurance	609,332
Unemployment Compensation	1,372
Employer Medicare	46,380
Other Contracted Services	642,561
Instructional Supplies and Materials	17,308
Textbooks	1,646
Other Charges	22,431

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Special Education Equipment	\$ 24,295	
Total Special Education Program		\$ 5,056,417

Vocational Education Program

Teachers	\$ 1,922,586	
Career Ladder Program	36,433	
Career Ladder Extended Contracts	7,000	
Certified Substitute Teachers	10,322	
Non-certified Substitute Teachers	18,395	
Social Security	117,955	
State Retirement	119,429	
Life Insurance	1,813	
Medical Insurance	303,710	
Unemployment Compensation	709	
Employer Medicare	27,720	
Instructional Supplies and Materials	70,728	
Other Supplies and Materials	12,852	
Other Charges	9,223	
Vocational Instruction Equipment	33,661	
Total Vocational Education Program		2,692,536

Student Body Education Program

Other Fringe Benefits	\$ 900	
Other Contracted Services	25,471	
Other Supplies and Materials	14,124	
Other Charges	13,671	
Total Student Body Education Program		54,166

Adult Education Program

Teachers	\$ 89,081	
Social Security	5,385	
State Retirement	4,318	
Life Insurance	43	
Medical Insurance	5,066	
Unemployment Compensation	75	
Employer Medicare	1,286	
Instructional Supplies and Materials	14,728	
Other Equipment	10,320	
Total Adult Education Program		130,302

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Clerical Personnel	\$	19,650	
Social Security		1,218	
State Retirement		1,662	
Life Insurance		36	
Medical Insurance		5,044	
Unemployment Compensation		14	
Employer Medicare		285	
Travel		1,612	
Total Attendance			\$ 29,521

Health Services

Medical Personnel	\$	32,572	
Social Security		2,020	
State Retirement		1,997	
Life Insurance		76	
Medical Insurance		12,654	
Unemployment Compensation		28	
Employer Medicare		472	
Drugs and Medical Supplies		4,524	
In Service/Staff Development		240	
Total Health Services			54,583

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		651,139	
Other Salaries and Wages		9,720	
Social Security		39,969	
State Retirement		39,282	
Life Insurance		772	
Medical Insurance		123,414	
Unemployment Compensation		299	
Employer Medicare		9,433	
Evaluation and Testing		20,000	
Total Other Student Support			900,028

Regular Instruction Program

Supervisor/Director	\$	5,023	
Career Ladder Program		1,000	
Secretary(ies)		56,202	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries and Wages	\$	6,646	
In-Service Training		14,254	
Social Security		4,010	
State Retirement		5,124	
Life Insurance		46	
Medical Insurance		14,204	
Unemployment Compensation		40	
Employer Medicare		938	
Consultants		3,000	
Travel		13,165	
Other Contracted Services		61,392	
Library Books/Media		23,546	
Office Supplies		870	
Other Supplies and Materials		27,463	
In Service/Staff Development		15,366	
Other Charges		18,109	
Other Equipment		8,672	
Total Regular Instruction Program			\$ 279,070

Special Education Program

Supervisor/Director	\$	64,766	
Secretary(ies)		56,522	
Clerical Personnel		19,794	
Social Security		9,011	
State Retirement		10,889	
Life Insurance		171	
Medical Insurance		23,914	
Unemployment Compensation		56	
Employer Medicare		2,107	
Maintenance and Repair Services - Equipment		776	
Travel		19,130	
Other Contracted Services		7,619	
Other Supplies and Materials		6,496	
Other Charges		23,787	
Total Special Education Program			245,038

Vocational Education Program

Supervisor/Director	\$	61,628	
Career Ladder Program		1,000	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Secretary(ies)	\$	27,422	
Social Security		5,105	
State Retirement		6,159	
Life Insurance		86	
Medical Insurance		14,233	
Unemployment Compensation		28	
Employer Medicare		1,194	
Travel		4,374	
Total Vocational Education Program			\$ 121,229

Adult Programs

Supervisor/Director	\$	46,690	
Other Salaries and Wages		6,111	
Social Security		3,274	
State Retirement		2,861	
Life Insurance		43	
Medical Insurance		5,066	
Unemployment Compensation		26	
Employer Medicare		766	
Travel		293	
In Service/Staff Development		3,104	
Total Adult Programs			68,234

Board of Education

Board and Committee Members Fees	\$	37,200	
Social Security		2,306	
State Retirement		2,335	
Life Insurance		247	
Employer Medicare		539	
Audit Services		16,500	
Dues and Memberships		15,697	
Legal Services		26,390	
Travel		29,236	
Liability Insurance		145,216	
Premiums on Corporate Surety Bonds		1,739	
Trustee's Commission		481,715	
Workers' Compensation Insurance		147,541	
Other Charges		5,174	
Total Board of Education			911,835

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	104,243	
Assistant(s)		157,802	
Secretary(ies)		79,106	
Social Security		20,570	
State Retirement		29,227	
Life Insurance		320	
Medical Insurance		30,142	
Unemployment Compensation		70	
Employer Medicare		4,982	
Communication		21,016	
Postal Charges		5,627	
Travel		14,376	
Other Contracted Services		5,098	
Office Supplies		11,821	
Other Charges		18,417	
Total Director of Schools			\$ 502,817

Office of the Principal

Principals	\$	1,087,134	
Career Ladder Program		37,220	
Assistant Principals		730,770	
Secretary(ies)		589,496	
Social Security		144,630	
State Retirement		161,778	
Life Insurance		2,268	
Medical Insurance		359,656	
Unemployment Compensation		834	
Employer Medicare		34,267	
Communication		95,139	
Total Office of the Principal			3,243,192

Fiscal Services

Supervisor/Director	\$	61,897	
Accountants/Bookkeepers		111,511	
Social Security		10,037	
State Retirement		13,180	
Life Insurance		171	
Medical Insurance		29,915	
Unemployment Compensation		59	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Employer Medicare	\$	2,347	
Other Fringe Benefits		621,246	
Maintenance and Repair Services - Equipment		994	
Travel		2,727	
Data Processing Supplies		5,939	
Office Supplies		2,271	
Administration Equipment		15,663	
Total Fiscal Services			\$ 877,957

Operation of Plant

Custodial Personnel	\$	1,342,810	
Other Salaries and Wages		37,689	
Social Security		82,466	
State Retirement		108,560	
Life Insurance		2,154	
Medical Insurance		304,953	
Unemployment Compensation		896	
Employer Medicare		19,287	
Other Contracted Services		141,222	
Custodial Supplies		154,975	
Electricity		1,596,560	
Natural Gas		471,498	
Water and Sewer		196,331	
Other Supplies and Materials		2,333	
Other Charges		41,093	
Plant Operation Equipment		1,786	
Total Operation of Plant			4,504,613

Maintenance of Plant

Supervisor/Director	\$	45,978	
Other Salaries and Wages		498,165	
Social Security		32,537	
State Retirement		46,234	
Life Insurance		768	
Medical Insurance		114,402	
Unemployment Compensation		271	
Employer Medicare		7,610	
Laundry Service		5,991	
Maintenance and Repair Services - Buildings		288,988	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance and Repair Services - Equipment	\$	62,098	
Equipment and Machinery Parts		79,125	
Other Charges		1,990	
Maintenance Equipment		28,712	
Total Maintenance of Plant			\$ 1,212,869

Transportation

Supervisor/Director	\$	37,956	
Mechanic(s)		162,798	
Bus Drivers		693,862	
Clerical Personnel		30,964	
Social Security		53,511	
State Retirement		76,161	
Life Insurance		2,322	
Medical Insurance		358,343	
Unemployment Compensation		833	
Employer Medicare		12,514	
Maintenance and Repair Services - Vehicles		53,711	
Medical and Dental Services		6,421	
Rentals		2,664	
Travel		611	
Diesel Fuel		224,854	
Garage Supplies		2,096	
Gasoline		56,636	
Lubricants		9,274	
Tires and Tubes		29,000	
Vehicle Parts		77,002	
Other Supplies and Materials		8,959	
Vehicle and Equipment Insurance		47,951	
Other Charges		14,604	
Transportation Equipment		469,634	
Total Transportation			2,432,681

Central and Other

Supervisor/Director	\$	64,641
Computer Programmer(s)		47,375
Secretary(ies)		25,980
Other Salaries and Wages		342,360
Social Security		28,881

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

State Retirement	\$	40,528	
Life Insurance		557	
Medical Insurance		82,333	
Unemployment Compensation		213	
Employer Medicare		6,754	
Communication		12,419	
Consultants		4,439	
Travel		3,322	
Other Contracted Services		74,223	
Office Supplies		606	
In Service/Staff Development		3,769	
Data Processing Equipment		548,326	
Total Central and Other			\$ 1,286,726

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	104,490	
Other Salaries and Wages		150,415	
Social Security		11,652	
State Retirement		2,821	
Life Insurance		43	
Medical Insurance		5,066	
Unemployment Compensation		300	
Employer Medicare		2,725	
Travel		457	
Other Supplies and Materials		5,531	
Other Charges		41,313	
Other Equipment		433	
Total Community Services			325,246

Early Childhood Education

Teachers	\$	170,062	
Educational Assistants		121,766	
Social Security		18,058	
State Retirement		11,656	
Life Insurance		147	
Medical Insurance		31,428	
Unemployment Compensation		148	
Employer Medicare		4,224	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Instructional Supplies and Materials	\$	24,639	
In Service/Staff Development		300	
Total Early Childhood Education			\$ 382,428

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	832,830	
Land		13,900	
Building Purchases		29,100	
Other Capital Outlay		297,915	
Total Regular Capital Outlay			1,173,745

Principal on Debt

Education

Principal on Notes	\$	150,000	
Principal on Capital Leases		69,855	
Total Education			219,855

Interest on Debt

Education

Interest on Notes	\$	4,290	
Interest on Capital Leases		10,558	
Total Education			14,848

Other Debt Service

Education

Other Debt Service	\$	623,727	
Total Education			<u>623,727</u>

Total General Purpose School Fund \$ 57,570,325

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	974,551	
Educational Assistants		187,074	
Other Salaries and Wages		44,104	
Certified Substitute Teachers		2,722	
Non-certified Substitute Teachers		11,308	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	71,379	
State Retirement		74,467	
Life Insurance		1,517	
Medical Insurance		223,450	
Unemployment Compensation		631	
Employer Medicare		17,168	
Other Contracted Services		23,422	
Instructional Supplies and Materials		174,055	
In Service/Staff Development		2,742	
Regular Instruction Equipment		107,627	
Total Regular Instruction Program			\$ 1,916,217

Special Education Program

Teachers	\$	158,663	
Educational Assistants		1,121,374	
Certified Substitute Teachers		650	
Non-certified Substitute Teachers		23,450	
Social Security		74,995	
State Retirement		100,619	
Life Insurance		2,748	
Medical Insurance		417,141	
Unemployment Compensation		989	
Employer Medicare		18,024	
Other Contracted Services		7,926	
Instructional Supplies and Materials		759	
Other Supplies and Materials		79	
Total Special Education Program			1,927,417

Vocational Education Program

Educational Assistants	\$	18,635	
Social Security		1,155	
State Retirement		1,577	
Life Insurance		43	
Medical Insurance		5,066	
Unemployment Compensation		14	
Employer Medicare		270	
Travel		11,748	
Instructional Supplies and Materials		34,166	
Vocational Instruction Equipment		119,732	
Total Vocational Education Program			192,406

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	123,896	
Social Security		7,172	
State Retirement		7,595	
Life Insurance		228	
Medical Insurance		39,703	
Unemployment Compensation		80	
Employer Medicare		1,677	
Evaluation and Testing		195	
Other Supplies and Materials		252	
Other Equipment		4,088	
Total Health Services			\$ 184,886

Other Student Support

Evaluation and Testing	\$	504	
Workers' Compensation Insurance		400	
In Service/Staff Development		12,604	
Other Charges		24,818	
Total Other Student Support			38,326

Regular Instruction Program

Supervisor/Director	\$	57,178	
Other Salaries and Wages		112,995	
Social Security		10,839	
State Retirement		12,185	
Life Insurance		171	
Medical Insurance		22,527	
Unemployment Compensation		79	
Employer Medicare		2,545	
Travel		3,338	
Other Supplies and Materials		2,730	
In Service/Staff Development		128,538	
Other Equipment		3,839	
Total Regular Instruction Program			356,964

Special Education Program

Travel	\$	12,508	
Other Contracted Services		8,554	
Other Supplies and Materials		678	
Total Special Education Program			21,740

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 3,266	
Total Vocational Education Program		\$ 3,266

Board of Education

Workers' Compensation Insurance	\$ 7,191	
Total Board of Education		7,191

Transportation

Bus Drivers	\$ 1,439	
Social Security	89	
State Retirement	122	
Unemployment Compensation	3	
Employer Medicare	21	
Gasoline	231	
Total Transportation		<u>1,905</u>

Total School Federal Projects Fund		\$ 4,650,318
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Central Cafeteria Fund

Support Services

Board of Education

Audit Services	\$ 4,060	
Workers' Compensation Insurance	38,933	
Total Board of Education		\$ 42,993

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 49,306
Accountants/Bookkeepers	31,100
Clerical Personnel	27,354
Cafeteria Personnel	1,304,769
Other Salaries and Wages	40,897
In-Service Training	885
Social Security	88,559
State Retirement	67,226
Life Insurance	2,436
Medical Insurance	334,485
Unemployment Compensation	1,836
Employer Medicare	20,711

(Continued)

Exhibit J-9

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Maintenance and Repair Services - Equipment	\$	31,010	
Travel		4,105	
Other Contracted Services		193,664	
Food Supplies		1,668,069	
Office Supplies		4,203	
Other Supplies and Materials		177,450	
In Service/Staff Development		29,236	
Other Charges		9,448	
Food Service Equipment		<u>126,309</u>	
Total Food Service			<u>\$ 4,213,058</u>

Total Central Cafeteria Fund \$ 4,256,051

Total Governmental Funds - Hamblen County School Department \$ 66,476,694

Exhibit J-10

Hamblen County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balance - City Agency Fund
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 9,654,438
Total Cash Receipts	<u>\$ 9,654,438</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 9,557,894
Trustee's Commission	96,544
Total Cash Disbursements	<u>\$ 9,654,438</u>
 Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>10,955</u>
 Cash Balance, June 30, 2007	<u><u>\$ 10,955</u></u>

SINGLE AUDIT SECTION



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

March 28, 2008

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

To the County Mayor and County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Hamblen County's basic financial statements and have issued our report thereon dated March 28, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Hamblen County Emergency Communications District as described in our report of Hamblen County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hamblen County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamblen County's internal control over financial

reporting. Accordingly, we do not express an opinion on the effectiveness of Hamblen County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.03, and 07.08.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hamblen County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

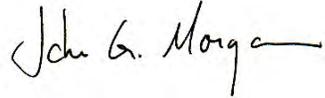
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hamblen County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.02, 07.04, 07.05, and 07.06.

We consider item 07.07 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of Hamblen County in separate communications.

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

Very truly yours,

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

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

March 28, 2008

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hamblen County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Hamblen County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hamblen County's management. Our responsibility is to express an opinion on Hamblen County's compliance based on our audit.

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

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

In our opinion, Hamblen County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Hamblen County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hamblen County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hamblen County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

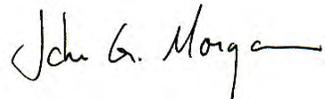
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamblen County as of and for the year ended June 30, 2007, and have issued our report thereon dated March 28, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hamblen County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Hamblen County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

Hamblen County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 348,395
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	632,298
National School Lunch Program	10.555	N/A	1,885,144
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	8,256
Total U.S. Department of Agriculture			<u>\$ 2,874,093</u>
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088458-01	\$ 31,500
Drug Court Discretionary Grant Program	16.585	Z-05-025520-00	79,218
Total U.S. Department of Justice			<u>\$ 110,718</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-3200(1)	\$ 86,915
Passed-through State Department of Economic and Community Development:			
Recreational Trails Program	20.219	Z-05-023558-00	9,324
Total U.S. Department of Transportation			<u>\$ 96,239</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,769,913
Migrant Education - State Grant Program	84.011	N/A	32,135
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	2,031,216
Special Education - Preschool Grants	84.173	N/A	64,172
Vocational Education - Basic Grants to States	84.048	N/A	246,508
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	70,557
Education for Homeless Children and Youth	84.196	(2)	61,433
State Grants for Innovative Programs	84.298	N/A	129,004
Education Technology State Grants	84.318	(2)	35,760
Reading First State Grants	84.357	N/A	100
English Language Acquisition Grants	84.365	N/A	95,250
Improving Teacher Quality State Grants	84.367	N/A	217,367
Hurricane Education Recovery	84.938	(2)	10,724

(Continued)

Hamblen County, Tennessee
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 Education (Cont.):			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033695-00	\$ 115,110
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-07-12445-00	32,535
Total U.S. Department of Education			\$ 4,911,784
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(3)	\$ 111,735
Total U.S. Election Assistance Commission			\$ 111,735
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	Z-05-02516-00	\$ 319,698
Total U.S. Department of Homeland Security			\$ 319,698
Total Expenditures of Federal Awards			\$ 8,424,267

State Grants

		Contract Number	
Juvenile Service Program - State Commission on Children and Youth	N/A	Z-07-036534-00	\$ 21,000
Litter Program - State Department of Transportation	N/A	Z-07-033800-00	35,025
State Reappraisal - Comptroller of the Treasury	N/A	(2)	18,158
Health Department Program - State Department of Health	N/A	Z-07-031583-00	152,177
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011318-00	49,046
Early Childhood Education Pilot Program- State Department of Education	N/A	(2)	523,360
Adult Basic Education Grant - State Department of Labor and Workforce Development	N/A	(2)	52,103
Safe Schools Act Grant - State Department of Education	N/A	(2)	42,653
Child Care Assistance Program - State Department of Human Services	N/A	(2)	29,989
Family Resource Center Grant - State Department of Education	N/A	(2)	66,600
Total State Grants			\$ 990,111

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) Z-06-032947-00: \$109,350; Z-07-037450-00: \$2,385.

Hamblen County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hamblen County, Tennessee, for the year ended June 30, 2006, which have not been corrected.

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.02	202	A depository was not required to collateralize funds that exceeded FDIC coverage

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.03(A.,B.)	203	The office had accounting deficiencies
06.04	203	Collections were not deposited properly
06.05	204	An annual financial report was not filed

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.06	204	A central system of accounting, budgeting, and purchasing had not been adopted
06.07	204	Duties were not segregated adequately in the Offices of Trustee and Sheriff

HAMBLLEN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hamblen County is unqualified.
2. The audit of the financial statements of Hamblen County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Hamblen County.
4. The audit disclosed no significant deficiencies 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) was determined to be a major program.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hamblen County qualified as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.01 **THE OFFICE HAD DEFICIENCIES RELATED TO COLLECTIONS BY AN OUTSIDE AGENCY**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The East Tennessee Human Resources Agency (ETHRA) provides probation services and collects probation fees on behalf of the Circuit and General Sessions Courts. However, the clerk's office did not have a written contract with this outside agency documenting the responsibilities and liabilities of each party. The clerk stated that she was notified by ETHRA of potential problems in accounting for collections made by the agency on behalf of the courts. Subsequently, the clerk reviewed collection records provided by ETHRA and identified funds which appeared to have been collected by ETHRA on behalf of the courts that had not been remitted to the courts.

RECOMMENDATION

The county should pursue settlement with the East Tennessee Human Resources Agency to ensure that all funds collected on behalf of the courts have been accounted for and remitted to the courts. A written contract should be obtained to document the responsibilities and liabilities under any arrangement for services provided by outside agencies.

OFFICE OF CLERK AND MASTER

FINDING 07.02 **A DEPOSITORY WAS NOT REQUIRED TO COLLATERALIZE FUNDS THAT EXCEEDED FEDERAL DEPOSIT INSURANCE CORPORATION COVERAGE**

(Noncompliance Under Government Auditing Standards)

The clerk and master did not require a depository to pledge securities to protect funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2007, funds on deposit exceeded FDIC coverage by \$31,903. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of funds exceeding FDIC coverage. Subsequent to June 30, 2007, the clerk and master required the financial institution to pledge securities for funds exceeding FDIC coverage.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 07.03 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following accounting deficiencies were noted:

- A. Accounting activity was not maintained on an official cash journal. Instead, a computerized spreadsheet was maintained to summarize receipts and checks issued for the Records Department. This spreadsheet was not a double entry record as required by generally accepted accounting principles. Also, transactions of the work release and sex offender programs were not included on the spreadsheet.
- B. Formal bank reconciliations were not performed; therefore, errors were not discovered and corrected timely.
- C. Receipts were not properly issued in some instances. Receipts did not always identify payments received by type (i.e. cash, check, or money order).
- D. Receipts issued for the collection of sex offender funds were not deposited to the office bank account, but were instead taken directly to the county Trustee’s Office.

RECOMMENDATION

A double-entry cash journal should be maintained to record all financial activity of the office. Bank statements should be reconciled with the general ledger, and any errors discovered should be corrected promptly. Receipts should properly identify payments received by type. All receipts issued should be deposited into the office bank account and disbursed by official prenumbered check.

FINDING 07.04 **REVENUE COLLECTIONS WERE NOT REMITTED PROMPTLY**
(Noncompliance Under Government Auditing Standards)

The sheriff failed to remit some county revenues collected in compliance with state statute. Section 67-4-213(d), Tennessee Code Annotated, provides that county revenues collected should be reported and paid to the proper agency within 15 days after the last day of each

calendar month. Revenues collected from work release were not remitted to the county for the entire fiscal year.

RECOMMENDATION

The sheriff should remit county revenues collected as required by state statute.

FINDING 07.05 **COLLECTIONS WERE NOT DEPOSITED PROPERLY**
(Noncompliance Under Government Auditing Standards)

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

- B. Two checks totaling \$4,000 were received from the proceeds of a calendar sale and were not deposited to the office bank account. Instead, these checks were cashed and used to purchase various items for the department. Section 5-9-401, TCA, requires that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

To strengthen internal controls over cash collections and deposits, the Sheriff's Department should deposit all funds intact within three days of collection. Furthermore, all expenses of the Sheriff's Department should be appropriated by the County Commission and paid through the county's budgetary process as required by state statute.

FINDING 07.06 **AN ANNUAL FINANCIAL REPORT WAS NOT FILED WITH THE COUNTY MAYOR AND COUNTY CLERK**
(Noncompliance Under Government Auditing Standards)

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

RECOMMENDATION

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

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.07 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 07.08 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE AND SHERIFF
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal programs.

HAMBLEN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007

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