
ANNUAL FINANCIAL REPORT HAWKINS COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
HAWKINS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
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State Auditors

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HAWKINS COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Hawkins County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Hawkins County as of and for the year ended June 30, 2008.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include one component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings

The following are summaries of the audit findings:

HAWKINS COUNTY AND HAWKINS COUNTY SCHOOL DEPARTMENT

- ◆ Hawkins County and the Hawkins County School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ Collections of at least \$710 were not accounted for at Laurel Run Park.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Material audit adjustments were required for proper financial statement presentation.
-

OFFICE OF COUNTY CLERK

- ◆ The office did not review software audit logs.
-

OFFICE OF CLERK AND MASTER

- ◆ Delinquent tax aggregates were not reconciled with amounts collected and adjusted.
 - ◆ The office did not review software audit logs.
-

OTHER FINDING

- ◆ A central system of accounting and budgeting was not adopted.

INTRODUCTORY SECTION

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Hawkins County Officials

June 30, 2008

Officials

Crockett Lee, County Mayor
Lowell Bean, Road Superintendent
Charlotte Britton, Director of Schools
Patricia Courtney, Trustee
Don Cinnamon, Assessor of Property
Carroll Jenkins, County Clerk
Holly Jaynes, Circuit and General Sessions Courts Clerk
Shirley Graham, Clerk and Master
Judy Kirkpatrick, Register
Roger Christian, Sheriff

Board of County Commissioners

Crockett Lee, Chairman	Christopher Jones
Claude Parrott, Vice-Chairman	Linda Kimbro
Danny Alvis	Gorman Lipe
Shane Bailey	Kenneth Long
Dwight Carter	J. Carmel Maddox
Hanes Cooper	Virgil Mallett
Kathy Derrick	Fred Montgomery
Larry Frost	Charlie Newton
Boyd Goodson	Robert Palmer
Billy Henderson	Tim Simpson
Gary Hicks, Jr	Charles Thacker

Board of Education

Robert Stidham, Chairman	Charles Fuller
Kathy Cradic	Michelle Maddox
Glenda Davis	Debbie Shedden
Perry Dykes	

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

October 28, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hawkins County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hawkins County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hawkins County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Hawkins County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Hawkins County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The

effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Hawkins County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Hawkins County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note V.B., Hawkins County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

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

The budgetary comparison, pension, and postemployment benefits information for Hawkins County, on pages 77 through 85 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 Hawkins County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, combining and individual fund financial statements of the Hawkins 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 debt service funds, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Hawkins County, Tennessee
Statement of Net Assets
June 30, 2008

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Hawkins County School Department</u>
<u>ASSETS</u>		
Cash	\$ 237,547	\$ 2,501
Equity in Pooled Cash and Investments	28,317,125	14,572,837
Accounts Receivable	103,272	109,597
Due from Other Governments	901,130	1,490,848
Due from Primary Government	0	6,385,286
Property Taxes Receivable	12,218,385	9,451,026
Allowance for Uncollectible Property Taxes	(316,394)	(244,733)
Deferred Charges - Debt Issuance Cost	852,753	0
Capital Assets:		
Assets Not Depreciated:		
Land	1,134,808	1,501,107
Construction in Progress	5,807,281	1,427,320
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,361,360	32,169,169
Other Capital Assets	1,781,184	2,370,266
Infrastructure	42,706,585	0
Total Assets	<u>\$ 98,105,036</u>	<u>\$ 69,235,224</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 464,453	\$ 165,198
Accrued Payroll	0	14,452
Contracts Payable	0	51,232
Retainage Payable	41,739	37,910
Claims and Judgments Payable	164,328	0
Accrued Interest Payable	248,083	2,032
Due to Component Units	6,385,148	0
Due to State of Tennessee	9,651	0
Other Current Liabilities	0	1,183,605
Deferred Revenue - Current Property Taxes	11,396,420	8,815,228
Noncurrent Liabilities:		
Due Within One Year	2,521,868	735,436
Due in More than One Year (net of deferred amount on refunding and unamortized premium on debt)	50,994,408	3,086,265
Total Liabilities	<u>\$ 72,226,098</u>	<u>\$ 14,091,358</u>

(Continued)

Exhibit A

Hawkins County, Tennessee
Statement of Net Assets (cont.)

	Primary Government Governmental Activities	Component Unit <u>Hawkins County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 47,117,527	\$ 37,260,896
Restricted for:		
Solid Waste/Sanitation	87,057	0
Drug Control	193,904	0
Highways	2,054,228	0
School Transportation	0	1,095,082
Debt Service	12,499,926	0
Capital Projects	20,608	7,113,957
State and Federal Financial Assistance Programs	0	2,851,902
Other Purposes	353,791	0
Unrestricted	<u>(36,448,103)</u>	<u>6,822,029</u>
Total Net Assets	<u>\$ 25,878,938</u>	<u>\$ 55,143,866</u>

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

Exhibit B

Hawkins County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit
	Program Revenues			Primary Government		Hawkins County School Department	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		
<u>Primary Government:</u>							
Governmental Activities:							
General Government	\$ 2,612,050	\$ 328,459	\$ 92,717	\$ 4,187	\$ (2,186,687)	\$ 0	
Finance	1,345,101	1,155,462	23,363	0	(166,276)	0	
Administration of Justice	1,090,525	1,250,451	21,444	25,630	207,000	0	
Public Safety	4,197,396	200,324	71,533	107,022	(3,818,517)	0	
Public Health and Welfare	2,099,617	74,643	323,172	212,876	(1,488,926)	0	
Social, Cultural, and Recreational Services	418,971	6,950	55,375	0	(356,646)	0	
Agriculture and Natural Resources	145,522	0	0	0	(145,522)	0	
Other Operations	1,731,832	0	85,428	1,006,001	(640,403)	0	
Highways	4,426,403	990	2,046,829	665,834	(1,712,750)	0	
Education	10,232,125	0	0	0	(10,232,125)	0	
Interest on Long-term Debt	1,850,973	0	0	0	(1,850,973)	0	
Debt Service	409,188	0	0	0	(409,188)	0	
Total Primary Government	\$ 30,559,703	\$ 3,017,279	\$ 2,719,861	\$ 2,021,550	\$ (22,801,013)	\$ 0	
<u>Component Unit:</u>							
Hawkins County School Department	\$ 59,307,431	\$ 1,703,258	\$ 6,231,918	\$ 9,361,383	\$ 0	\$ (42,010,872)	
Total Component Unit	\$ 59,307,431	\$ 1,703,258	\$ 6,231,918	\$ 9,361,383	\$ 0	\$ (42,010,872)	

(Continued)

Exhibit B

Hawkins County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit
	Expenses	Program Revenues		Primary Government		Hawkins County School Department	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 6,310,292	\$ 7,592,510		
Property Taxes Levied for Highway/Public Works Purposes				1,247,670	0		
Property Taxes Levied for Transportation Purposes				0	1,413,397		
Property Taxes Levied for Debt Service Purposes				4,041,202	0		
Local Option Sales Taxes				680,966	3,569,746		
Wheel Tax				1,030,920	324,279		
Litigation Tax				169,420	0		
Business Tax				235,295	0		
Mineral Severance Tax				71,951	0		
Wholesale Beer Tax				145,578	0		
Other Local Taxes				4,296	6,111		
Grants and Contributions Not Restricted to Specific Programs				580,803	36,323,512		
Unrestricted Investment Income				1,369,707	66,676		
Miscellaneous				68,342	177,298		
Insurance Recovery				10,960	0		
Gain on Disposal of Capital Assets				19,057	247,365		
Total General Revenues				\$ 15,986,459	\$ 49,720,894		
Change in Net Assets				\$ (6,814,554)	\$ 7,710,022		
Net Assets , July 1, 2007				(10,996,332)	47,433,844		
Prior-period Adjustment (Infrastructure)				43,689,824	0		
Net Assets, June 30, 2008				\$ 25,878,938	\$ 55,143,866		

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

Exhibit C-1

Hawkins County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other	Governmental Funds	
\$	0	0	168,328	0	0	69,219	237,547	
Equity in Pooled Cash and Investments	1,881,850	1,886,846	3,498,435	7,704,104	11,679,139	1,666,751	28,317,125	
Accounts Receivable	17,752	0	7,861	14,249	0	10,754	50,616	
Due from Other Governments	362,996	531,486	0	0	0	6,648	901,130	
Due from Other Funds	27,908	0	383,020	0	0	72,179	483,107	
Property Taxes Receivable	6,632,838	1,309,113	785,467	3,490,967	0	0	12,218,385	
Allowance for Uncollectible Property Taxes	(171,757)	(33,900)	(20,339)	(90,398)	0	0	(316,394)	
Total Assets	\$ 8,751,587	\$ 3,693,545	\$ 4,822,772	\$ 11,118,922	\$ 11,679,139	\$ 1,825,551	\$ 41,891,516	

ASSETS

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

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities	\$	38,046	\$	348,355	\$	4,000	\$	0	\$	0	\$	74,052	\$	464,453
Accounts Payable	0	0	0	0	0	0	0	0	0	0	0	41,739	0	41,739
Retainage Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims and Judgments Payable	17,020	19,523	164,328	0	0	0	0	0	0	0	0	393,908	0	164,328
Due to Other Funds	26,687	0	0	0	0	0	0	6,348,879	0	0	0	9,582	0	430,451
Due to Component Units	9,651	0	0	0	0	0	0	0	0	0	0	0	0	6,385,148
Due to State of Tennessee	6,186,628	1,221,045	732,627	3,256,120	0	0	0	0	0	0	0	0	0	9,651
Deferred Revenue - Current Property Taxes	239,533	47,276	28,366	126,070	0	0	0	0	0	0	0	0	0	11,396,420
Deferred Revenue - Delinquent Property Taxes	186,304	175,127	0	0	0	0	0	0	0	0	0	237	0	441,245
Other Deferred Revenues	\$ 6,703,869	\$ 1,811,326	\$ 929,321	\$ 3,382,190	\$ 6,348,879	\$ 519,518	\$ 19,695,103							
Total Liabilities	\$	6,703,869	\$	1,811,326	\$	929,321	\$	3,382,190	\$	6,348,879	\$	519,518	\$	19,695,103

Fund Balances	\$	139,454	\$	206,011	\$	0	\$	0	\$	5,296,777	\$	83,708	\$	5,725,950
Reserved for Encumbrances	217,340	0	0	0	0	0	0	0	0	0	0	0	0	217,340
Reserved for Alcohol and Drug Treatment	3,465	0	0	0	0	0	0	0	0	0	0	0	0	3,465
Reserved for Sexual Offender Registration	475	0	0	0	0	0	0	0	0	0	0	0	0	475
Reserved for Courtroom Security	92,968	0	0	0	0	0	0	0	0	0	0	0	0	92,968
Reserved for Computer System - Register	9,858	0	0	0	0	0	0	0	0	0	0	0	0	9,858
Reserved for Automation Purposes - Circuit Court	8,320	0	0	0	0	0	0	0	0	0	0	0	0	8,320
Reserved for Automation Purposes - Chancery Court	21,365	0	0	0	0	0	0	0	0	0	0	0	0	21,365

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	0	62,347	\$ 62,347
	0	0	383,020	0	0	0	0	383,020
1,554,473	0	0	0	0	0	0	0	1,554,473
0	1,676,208	0	0	0	0	0	320,972	1,997,180
0	0	3,510,431	7,736,732	0	0	0	963,390	12,210,553
0	0	0	0	33,483	(124,384)	0	0	(90,901)
<u>\$ 2,047,718</u>	<u>\$ 1,882,219</u>	<u>\$ 3,893,451</u>	<u>\$ 7,736,732</u>	<u>\$ 5,330,260</u>	<u>\$ 1,306,033</u>	<u>\$ 0</u>	<u>\$ 1,306,033</u>	<u>\$ 22,196,413</u>
<u>\$ 8,751,587</u>	<u>\$ 3,693,545</u>	<u>\$ 4,822,772</u>	<u>\$ 11,118,922</u>	<u>\$ 11,679,139</u>	<u>\$ 1,825,551</u>	<u>\$ 0</u>	<u>\$ 1,825,551</u>	<u>\$ 41,891,516</u>

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Capital Outlay
Reserved for Other General Purposes
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds (Deficit)
Total Fund Balances
Total Liabilities and Fund Balances

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

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2008

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)		\$ 22,196,413
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,134,808	
Add: construction in progress	5,807,281	
Add: infrastructure net of accumulated depreciation	42,706,585	
Add: buildings and improvements net of accumulated depreciation	4,361,360	
Add: other capital assets net of accumulated depreciation	<u>1,781,184</u>	55,791,218
(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	\$ (1,813,785)	
Less: other loans payable	(30,339,519)	
Less: capital leases payable	(11,766)	
Less: bonds payable	(20,245,000)	
Add: deferred amount on refunding	191,336	
Add: deferred charges - debt issuance costs	852,753	
Less: compensated absences payable	(420,113)	
Less: other deferred revenue - premium on debt	(252,521)	
Less: accrued interest on bonds, notes, and other loans payable	(248,083)	
Less: other postemployment benefits	<u>(624,908)</u>	(52,911,606)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>802,913</u>
Net assets (deficit) of governmental activities (Exhibit A)		<u>\$ 25,878,938</u>

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

Exhibit C-3

Hawkins County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other	Governmental Funds	
Revenues								
Local Taxes	\$ 7,910,733	\$ 1,326,609	\$ 752,435	\$ 3,598,172	\$ 0	\$ 343,066	\$ 13,931,015	
Licenses and Permits	33,512	0	0	0	0	0	33,512	
Fines, Forfeitures, and Penalties	427,769	0	0	0	0	98,686	526,455	
Charges for Current Services	98,705	1,847	0	0	0	99,701	200,253	
Other Local Revenues	53,628	10,413	585,112	674,715	0	212,490	1,536,358	
Fees Received from County Officials	2,082,211	0	0	0	0	0	2,082,211	
State of Tennessee	905,936	2,366,822	0	0	0	840,106	4,112,864	
Federal Government	289,638	1,922	0	0	0	196,551	488,111	
Other Governments and Citizens Groups	29,445	0	0	275,131	0	186,452	491,028	
Total Revenues	\$ 11,831,577	\$ 3,707,613	\$ 1,337,547	\$ 4,548,018	\$ 0	\$ 1,977,052	\$ 23,401,807	
Expenditures								
Current:								
General Government	\$ 1,905,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,905,600	
Finance	1,355,461	0	0	0	0	0	1,355,461	
Administration of Justice	974,370	0	0	0	0	139,335	1,113,705	
Public Safety	4,822,716	0	0	0	0	43,186	4,865,902	
Public Health and Welfare	683,097	0	0	0	0	1,128,143	1,811,240	
Social, Cultural, and Recreational Services	439,123	0	0	0	0	0	439,123	
Agriculture and Natural Resources	145,439	0	0	0	0	0	145,439	
Other Operations	639,223	0	0	0	0	0	639,223	
Highways	43,370	3,015,580	0	0	0	0	3,058,950	
Debt Service:								
Principal on Debt	24,358	0	315,000	975,193	0	472,000	1,786,551	
Interest on Debt	17,346	0	179,274	1,544,214	0	75,286	1,816,120	
Other Debt Service	13,029	0	454,092	151,863	0	5,395	624,379	
Capital Projects	0	0	0	0	15,760,951	1,429,222	17,190,173	
Total Expenditures	\$ 11,063,132	\$ 3,015,580	\$ 948,366	\$ 2,671,270	\$ 15,760,951	\$ 3,292,567	\$ 36,751,866	
Excess (Deficiency) of Revenues Over Expenditures	\$ 768,445	\$ 692,033	\$ 389,181	\$ 1,876,748	\$ (15,760,951)	\$ (1,315,515)	\$ (13,350,059)	
Other Financing Sources (Uses)								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,700,000	\$ 0	\$ 9,700,000	
Premiums on Debt Issued	9,131	0	103,078	7,353	131,849	0	251,411	

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses) (Cont.)</u>								
Other Loans Issued	\$ 540,000	\$ 0	\$ 12,425,000	\$ 580,000	\$ 11,157,523	\$ 0	\$ 24,702,523	
Insurance Recovery	29,938	5,279	0	0	0	0	35,217	
Transfers In	0	0	0	0	0	1,237,192	1,237,192	
Transfers Out	(1,020,000)	(217,192)	0	0	0	0	(1,237,192)	
Discounts on Debt Issued	0	0	(1,584)	0	0	0	(1,584)	
Payments to Refunded Debt Escrow Agent	(20,000)	0	(12,301,000)	(579,000)	0	0	(12,900,000)	
Total Other Financing Sources (Uses)	\$ (460,931)	\$ (211,913)	\$ 225,494	\$ 8,353	\$ 20,989,372	\$ 1,237,192	\$ 21,787,567	
Net Change in Fund Balances	\$ 307,514	\$ 480,120	\$ 614,675	\$ 1,885,101	\$ 5,228,421	\$ (78,323)	\$ 8,437,508	
Fund Balance, July 1, 2007	1,740,204	1,402,099	3,278,776	5,851,631	101,839	1,384,356	13,758,905	
Fund Balance, June 30, 2008	\$ 2,047,718	\$ 1,882,219	\$ 3,893,451	\$ 7,736,732	\$ 5,330,260	\$ 1,306,033	\$ 22,196,413	

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

Exhibit C-4

Hawkins County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2008

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)	\$	8,437,508
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$	6,169,011
Less: current year depreciation expense		<u>(1,726,604)</u>
		4,442,407
(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	\$	341,652
Add: gain on disposal of capital assets		19,057
Less: proceeds received from disposals of capital assets		<u>(25,257)</u>
		335,452
(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, 2008	\$	802,913
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(830,240)</u>
		(27,327)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt related items:		
Less: other loans proceeds	\$	(24,702,523)
Less: bond proceeds		(9,700,000)
Add: change in deferred debt issuance costs		399,244
Add: principal payments on bonds		740,000
Add: principal payments on notes		942,193
Add: principal payments on other loans		100,000
Add: principal payments on capital leases		4,358
Less: change in premium on debt issuances		(242,820)
Add: payment to refunding agent		12,900,000
Add: change in deferred amount on refunding debt		190,444
Less: other postemployment benefits		<u>(624,908)</u>
		(19,994,012)
(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	\$	(22,114)
Change in compensated absences payable		<u>13,532</u>
		(8,582)
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>(6,814,554)</u></u>

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

Exhibit D

Hawkins County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,925,300
Equity in Pooled Cash and Investments	60,371
Accounts Receivable	12,537
Due from Other Governments	670,989
Property Taxes Receivable	1,109,150
Allowance for Uncollectible Property Taxes	<u>(28,721)</u>
Total Assets	<u>\$ 3,749,626</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,811,789
Due to Litigants, Heirs, and Others	<u>1,937,837</u>
Total Liabilities	<u>\$ 3,749,626</u>

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

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HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hawkins 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 Hawkins County:

A. Reporting Entity

Hawkins County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Hawkins County (the primary government) 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 Hawkins 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 Hawkins County School Department operates the public school system in the county, and the voters of Hawkins County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Hawkins County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hawkins County, and the Hawkins County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Hawkins County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Hawkins County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Hawkins County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Hawkins County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

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

Hawkins County issues all debt for the discretely presented Hawkins County School Department. Net debt issues (\$9,009,379) were contributed by the county to the School Department during the year ended June 30, 2008.

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 Hawkins County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Hawkins County does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

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

on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

Hawkins County reports the following major governmental funds:

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

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

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

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

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

Additionally, Hawkins County reports the following fund type:

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

use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Hawkins County School Department reports the following major governmental funds:

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

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

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

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 Hawkins 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 debt service funds. Hawkins County and the School Department

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.4 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. Claims and Judgments Payable reflected in the General Debt Service Fund represents the amount due to the Internal Revenue Service for arbitrage. The Other Current Liabilities reflected in the discretely presented General Purpose School Fund represent the remaining balance in the teacher's insurance clearing account.

Retainage payable in the primary government's nonmajor governmental funds and the discretely presented School Department's General Purpose School and Education Capital Projects funds 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 respective funds.

3. Capital Assets

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

Capital assets, which include property, plant, and equipment, 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 and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment 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	40
Building Improvements	7-30
Vehicles and Other Capital Assets	5-12
Infrastructure:	
Roads	20-50
Bridges	40

4. Compensated Absences

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

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

The Hawkins County Board of Education also allows all employees to be paid for any unused sick pay benefits upon retirement or death at a rate of \$10 to \$27 per unused day based on total days accumulated. Otherwise the granting of unused sick leave has no guaranteed payment attached. A liability for these amounts is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirement. Furthermore, all certified employees who are present for all scheduled days on the school calendar except for two days of personal leave and two days of professional leave shall receive a \$300 bonus on their June 15 payroll check.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$353,791 with the primary restrictions being for computer systems for various offices (\$132,511) and alcohol and drug treatment (\$217,340).

As of June 30, 2008, Hawkins County had \$38,261,361 in outstanding debt for capital purposes for the discretely presented Hawkins County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Rogersville School System and the City of Kingsport School System) based on an average daily attendance proration. This debt is a liability of Hawkins County, but the capital assets acquired are reported in the financial statements of the School Department, the City of Rogersville School System, and the City of Kingsport School System. Therefore, Hawkins 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 specified purpose. The Reserved for Other General Purposes in the General Debt Service Fund (\$383,020) represents interfund loan receivables that are not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2008:

Fund/Purpose	Amount
General:	
Sheriff	\$ 62,531
Employees' Vacation Pay	25,000
Repairs	15,000
Park	6,631

7. Prior-period Adjustment

On July 1, 2007, Hawkins County retroactively recognized a net total of \$43,689,824 in infrastructure assets.

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 Hawkins 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 Hawkins 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 project funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

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

B. Fund Deficits

The Community Development/Industrial Park Fund had a deficit of \$124,384 in the unreserved fund balance account as of June 30, 2008. This deficit resulted from liabilities totaling \$41,739 and the recognition of the unperformed portion of construction contracts totaling \$82,645 being reserved as encumbrances in the financial statements of this report. Funding for these future expenditures is expected to be received from contributions and state grants.

The Education Capital Projects Fund of the discretely presented School Department had a deficit of \$871,886 in the unreserved fund balance account as of June 30, 2008. This deficit resulted from the recognition of encumbrances totaling \$7,985,843. Funding for these future expenditures has been approved to be provided through the issuance of debt by the primary government.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Hawkins County and the Hawkins County School Department participate in an internal cash and investment pool through the Office of Trustee. The 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 and statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2008, Hawkins 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 Hawkins County and the discretely presented Hawkins County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Sevier County Tennessee Public Building Authority Adj. Local Government Public Improvement II-G-1	6-1-18 (1)	\$ 1,105,000
Sevier County Tennessee Public Building Authority Local Government Public Improvement III-C-1	6-1-18 (1)	1,230,000
Sevier County Tennessee Public Building Authority Adj. Local Government Public Improvement III-C-3	6-1-18 (1)	1,205,000
Sevier County Tennessee Public Building Authority Adj. Local Government Public Improvement III-F	6-1-20 (1)	\$ 1,000,000
Sevier Tennessee Public Building Authority Adj. Local Government Public Improvement III-E-1-ERP	6-1-25 (1)	3,575,000
Sevier County Tennessee Public Building Authority Revenue Adj. Local Government Public Improvement Bond Revenue Program II	6-1-30 (1)	1,395,000
Fannie Mae	8-8-08	1,001,868
Federal Home Loan Bank	7-21-08	<u>1,000,747</u>
Total		<u>\$ 11,512,615</u>

(1) All the bonds have 30-day calls.

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. Hawkins County does not have a formal investment policy that limits 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. Hawkins County has no investment policy that would further limit its investment choices. As of June 30, 2008, Hawkins County's investments in Sevier County Tennessee Public Building Authority were rated Aa3 by Moody's Investor's Service and AA by Standard & Poor's Ratings. Hawkins County's investments in Fannie Mae and Federal Home Loan Bank were rated AAA by Moody's Investor's Service and 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. Hawkins 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 Sevier County Public Building Authority, Fannie Mae, and Federal Home Loan Bank. Sevier County Public Building Authority, Fannie Mae, and Federal Home Loan Bank represent 82.6 percent, 8.7 percent, and 8.7 percent, respectively, of the county's total investments.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,134,808	\$ 0	\$ 0	\$ 1,134,808
Construction in Progress	626,527	5,180,754	0	5,807,281
Total Capital Assets Not Depreciated	<u>\$ 1,761,335</u>	<u>\$ 5,180,754</u>	<u>\$ 0</u>	<u>\$ 6,942,089</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,667,844	\$ 26,019	\$ 15,374	\$ 6,678,489
Infrastructure*	53,092,674	341,652	0	53,434,326
Other Capital Assets	5,113,399	962,238	77,331	5,998,306
Total Capital Assets Depreciated	<u>\$ 64,873,917</u>	<u>\$ 1,329,909</u>	<u>\$ 92,705</u>	<u>\$ 66,111,121</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,151,748	\$ 174,555	\$ 9,174	\$ 2,317,129
Infrastructure*	9,402,850	1,324,891	0	10,727,741
Other Capital Assets	4,067,295	227,158	77,331	4,217,122
Total Accumulated Depreciation	<u>\$ 15,621,893</u>	<u>\$ 1,726,604</u>	<u>\$ 86,505</u>	<u>\$ 17,261,992</u>
Total Capital Assets Depreciated, Net	<u>\$ 49,252,024</u>	<u>\$ (396,695)</u>	<u>\$ 6,200</u>	<u>\$ 48,849,129</u>
Governmental Activities Capital Assets, Net	<u>\$ 51,013,359</u>	<u>\$ 4,784,059</u>	<u>\$ 6,200</u>	<u>\$ 55,791,218</u>

* Infrastructure has been added to the above table effective July 1, 2007, in compliance with requirements of GASB Statement No. 34.

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

Governmental Activities:

General Government	\$ 132,774
Finance	2,100
Administration of Justice	1,583
Public Safety	86,585
Public Health and Welfare	97,375
Social, Cultural, and Recreational Services	4,575
Other Operations	43,517
Highway/Public Works	<u>1,358,095</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,726,604</u></u>

Discretely Presented Hawkins County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,335,307	\$ 220,000	\$ 54,200	\$ 1,501,107
Construction in Progress	<u>395,527</u>	<u>1,795,571</u>	<u>763,778</u>	<u>1,427,320</u>
Total Capital Assets Not Depreciated	<u>\$ 1,730,834</u>	<u>\$ 2,015,571</u>	<u>\$ 817,978</u>	<u>\$ 2,928,427</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 54,819,557	\$ 1,006,306	\$ 0	\$ 55,825,863
Other Capital Assets	<u>4,791,520</u>	<u>774,270</u>	<u>284,469</u>	<u>5,281,321</u>
Total Capital Assets Depreciated	<u>\$ 59,611,077</u>	<u>\$ 1,780,576</u>	<u>\$ 284,469</u>	<u>\$ 61,107,184</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 21,800,476	\$ 1,856,218	\$ 0	\$ 23,656,694
Other Capital Assets	<u>2,789,729</u>	<u>397,260</u>	<u>275,934</u>	<u>2,911,055</u>
Total Accumulated Depreciation	<u>\$ 24,590,205</u>	<u>\$ 2,253,478</u>	<u>\$ 275,934</u>	<u>\$ 26,567,749</u>

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Total Capital Assets				
Depreciated, Net	\$ 35,020,872	\$ (472,902)	\$ 8,535	\$ 34,539,435
Governmental Activities				
Capital Assets, Net	\$ 36,751,706	\$ 1,542,669	\$ 826,513	\$ 37,467,862

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

Governmental Activities:

Instruction	\$ 1,839,627
Support Services	380,386
Operation of Non-Instructional Services	<u>33,465</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,253,478</u>

C. Construction Commitments

At June 30, 2008, the Highway/Public Works Fund had uncompleted construction contracts of approximately \$198,390 for paving. Funding for these future expenditures is expected to be received from state grants.

The General Capital Projects Fund had uncompleted construction contracts of approximately \$5,296,777 for the construction of the justice center. Funding for these future expenditures is being provided by other loans.

The Community Development/Industrial Park Fund had uncompleted construction contracts of approximately \$82,645 for infrastructure improvements. Funding for these future expenditures is expected to be received from contributions and state grants.

The discretely presented General Purpose School Fund had uncompleted construction contracts of approximately \$221,553 for various renovations and construction projects. Funding has been provided for these future expenditures.

The discretely presented Education Capital Projects Fund had uncompleted construction contracts of approximately \$7,985,843 for various renovations and construction projects. Funding for these future expenditures is being provided by debt proceeds.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 1,020,000
Highway/Public Works Fund	<u>217,192</u>
Total	<u>\$ 1,237,192</u>

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

E. Capital Leases

Primary Government

On December 2, 2005, Hawkins County entered into a five-year lease-purchase agreement for a vehicle for the industrial development board. The terms of the agreement require total lease payments of \$22,597 plus interest of 6.45 percent. Title to the vehicle transfers to Hawkins County at the end of the lease period. The lease payments are made from the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 5,271
2010	5,270
2011	2,197
Total Minimum Lease Payments	\$ 12,738
Amount Representing Interest	(972)
Present Value of Minimum Lease Payments	\$ 11,766

Discretely Presented Hawkins County School Department

The School Department previously entered into a capital lease agreement to finance the acquisition of equipment. The terms of the agreement require total lease payments of \$1,336,907 plus interest of 5.25 percent. The title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made from the General Purpose School Fund.

Future minimum lease payments and the net present value of these lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 170,459
2010	42,614
Total Minimum Lease Payments	\$ 213,073
Amount Representing Interest	(8,139)
Present Value of Minimum Lease Payments	\$ 204,934

F. 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 and equipment. In addition, general obligation bonds and other loans have been issued to refund other loans. Capital outlay notes have been issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 26 years for bonds, up to ten years for notes, and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2008, will be retired from the General Fund, General Debt Service Fund, Special Debt Service Fund, or the Education Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds -			
Refunding	3 to 5	% \$ 13,520,000	\$ 10,545,000
General Obligation Bonds	3.9	9,700,000	9,700,000
Capital Outlay Notes	0 to 4.4	4,092,999	1,813,785
Other Loans - Variable Rate			
Fixed by Swap	3.533	16,000,000	16,000,000
Other Loans - Fixed Rate	3 to 5	27,745,000	14,339,519
Capital Leases	6.45	22,597	11,766

In a prior year, Hawkins County entered into a loan agreement with the Sevier County Public Building Authority. Under this loan agreement, the authority loaned \$16,000,000 to Hawkins County for various renovation and construction projects for the county and the discretely presented School Department.

Hawkins County entered into two variable rate loan agreements in a prior year with the Blount County Public Building Authority. These loan agreements provided for the authority to make \$13,075,000 available for loan to Hawkins County on an as-needed basis for various renovation and construction projects for the county and the discretely presented School Department. Hawkins County had borrowed the entire amount of these loans; however, these loans were refunded during the year.

During the year, Hawkins County entered into a fixed rate loan agreement with the Blount County Public Building Authority. This loan agreement provided for the authority to make \$27,745,000 available for loan to Hawkins County on an as-needed basis for refunding of the previously discussed Blount County Public Building Authority loans, and for various renovation

and construction projects for the county and the discretely presented School Department. As of June 30, 2008, Hawkins County had borrowed \$14,339,519 of the loan. The balance of \$13,405,481 remains available for future draws under the loan agreement.

In addition to interest, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with the variable rate loan. The following table summarizes the loan agreements outstanding at June 30, 2008, including interest rates and other fees:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-08	Interest Type	Interest Rate as of 6-30-08	Other Fees on Variable Rate Debt
<u>Sevier County Public</u>					
Building Authority					
Series V-B-1	\$ 16,000,000	\$ 16,000,000	Variable fixed - by Swap	3.723 %	0.453 %
<u>Blount County Public</u>					
Building Authority					
Series B-15-A	27,745,000	14,339,519 (1)	Fixed	3 to 5	N/A

(1) The balance of \$13,405,481 remains available for future draws under this agreement at June 30, 2008.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 1,065,000	\$ 860,181	\$ 1,925,181
2010	1,010,000	817,871	1,827,871
2011	1,060,000	775,681	1,835,681
2012	1,110,000	731,436	1,841,436
2013	1,165,000	682,956	1,847,956
2014-2018	6,785,000	2,586,911	9,371,911
2019-2023	3,210,000	1,244,515	4,454,515
2024-2028	2,155,000	780,585	2,935,585
2029-2033	2,685,000	323,115	3,008,115
Total	\$ 20,245,000	\$ 8,803,251	\$ 29,048,251

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 651,192	\$ 60,075	\$ 711,267
2010	497,593	40,435	538,028
2011	415,000	22,938	437,938
2012	250,000	7,775	257,775
Total	\$ 1,813,785	\$ 131,223	\$ 1,945,008

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 485,943	\$ 1,261,138	\$ 72,556	\$ 1,819,637
2010	505,000	1,219,745	72,556	1,797,301
2011	439,242	1,190,534	72,556	1,702,332
2012	465,000	1,173,625	72,556	1,711,181
2013	445,000	1,158,512	72,556	1,676,068
2014-2018	2,024,334	5,569,070	362,780	7,956,184
2019-2023	7,445,000	4,896,470	327,069	12,668,539
2024-2028	10,980,000	3,081,868	164,837	14,226,705
2029-2033	5,175,000	1,128,137	8,956	6,312,093
2034-2036	2,375,000	228,950	0	2,603,950
Total	\$ 30,339,519	\$ 20,908,049	\$ 1,226,422	\$ 52,473,990

There is \$12,210,553 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$378, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$978, based on the 2000 federal census.

Swap Agreement:

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

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$16 million Series V-B-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.5325 percent and receives a variable payment computed as 58.75 percent of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$16 million and the associated variable-rate bond has a \$16 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series V-B-1 Bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2008, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.533 %
Variable payment from counterparty	58.75% of LIBOR	<u>-2.52</u>
Net interest rate swap payments		1.013 %
Variable-rate bond coupon payments		<u>2.710</u>
Synthetic interest rate on bonds		<u><u>3.723 %</u></u>

Fair value. As of June 30, 2008, the swap had a negative fair value of \$770,409. 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, 2008, 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 AA by Standard and Poor's and Fitch and Aa3 by Moody's Investor Service as of June 30, 2008. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 58.75 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 58.75 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, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term as indicated in the chart below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2009	\$ 0	\$ 433,600	\$ 161,940	\$ 595,540
2010	0	433,600	161,940	595,540
2011	0	433,600	161,940	595,540
2012	0	433,600	161,940	595,540
2013	0	433,600	161,940	595,540
2014-2018	0	2,168,000	809,700	2,977,700
2019-2023	5,475,000	1,954,588	729,995	8,159,583
2024-2028	8,550,000	985,085	367,907	9,902,992
2029	1,975,000	53,523	19,989	2,048,512
Total	\$ 16,000,000	\$ 7,329,196	\$ 2,737,291	\$ 26,066,487

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2007	\$ 11,285,000	\$ 2,755,978	\$ 16,124
Additions	9,700,000	0	0
Deductions	(740,000)	(942,193)	(4,358)
Balance, June 30, 2008	<u>\$ 20,245,000</u>	<u>\$ 1,813,785</u>	<u>\$ 11,766</u>
Balance Due Within One Year	<u>\$ 1,065,000</u>	<u>\$ 651,192</u>	<u>\$ 4,648</u>

	Other Loans	Compensated Absences	Other Post- Employment Benefits
Balance, July 1, 2007	\$ 18,636,996	\$ 433,645	\$ 0
Additions	24,702,523	478,690	624,908
Deductions	(13,000,000)	(492,222)	0
Balance, June 30, 2008	<u>\$ 30,339,519</u>	<u>\$ 420,113</u>	<u>\$ 624,908</u>
Balance Due Within One Year	<u>\$ 485,943</u>	<u>\$ 315,085</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 53,455,091
Less: Balance Due Within One Year	(2,521,868)
Add: Unamortized Premium on Debt	252,521
Less: Deferred Amount on Refunding	<u>(191,336)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 50,994,408</u>

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

Current Refunding

During the year, Hawkins County issued \$13,030,000 of fixed rate other loan agreements to provide resources for the current refunding of two variable rate loan agreements. As a result, the refunded loans were redeemed and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$203,183. This amount is netted against the new debt and amortized over the remaining life of the refunded debt, which is

shorter than the life of the new debt. The county's financial advisors were not able to determine the cumulative savings or economic gain from the refunding transaction due to the conversion of variable interest rate debt to fixed interest rate debt.

Discretely Presented Hawkins County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hawkins County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:	Capital Leases	Compensated Absences
Balance, July 1, 2007	\$ 359,529	\$ 1,146,524
Additions	0	292,488
Deductions	(154,595)	(310,646)
Balance, June 30, 2008	<u>\$ 204,934</u>	<u>\$ 1,128,366</u>
Balance Due Within One Year	<u>\$ 162,872</u>	<u>\$ 323,079</u>
	Termination Benefits	Other Post- Employment Benefits
Balance, July 1, 2007	\$ 680,911	\$ 0
Additions	430,323	1,559,108
Deductions	(181,941)	0
Balance, June 30, 2008	<u>\$ 929,293</u>	<u>\$ 1,559,108</u>
Balance Due Within One Year	<u>\$ 249,485</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 3,821,701
Less: Balance Due Within One Year	<u>(735,436)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 3,086,265</u>

Compensated absences will be retired from the employing funds.

In addition to the long-term liabilities shown above, Hawkins County, the primary government, has issued capital outlay notes and other loans to provide funds for the School Department to purchase school buses. The School Department provides funds to retire these debt issues; however, the capital outlay notes and other loans are direct obligations of, and pledge the full faith and credit of, the primary government. Therefore, the notes and other loans are reported as long-term debt of the primary government. The repayment of the debt by the School Department is reflected as a contribution in the School Transportation Fund. For the year ended June 30, 2008, the School Transportation Fund paid \$275,131 on the debt, which consisted of principal (\$230,000), interest (\$44,637), and other charges (\$494). As of June 30, 2008, the balance remaining on the notes and other loans that the School Department plans to retire was \$1,899,334.

G. On-Behalf Payments – Discretely Presented Hawkins County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Hawkins County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$245,408 and \$35,813, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Internal Financing

In-lieu-of issuing debt with financial institutions, Hawkins County chose to internally finance various projects with idle county funds. In the current year, debt was issued from the General Debt Service Fund to the General Fund and will be repaid from the General Fund. At June 30, 2008, Due from Other Funds is reflected in the General Debt Service Fund and Due to Other Funds is reflected in the General Fund, for the outstanding balance of the loan (\$17,020). In a prior year, debt was issued from the General Debt Service Fund to the Special Debt Service Fund and will be repaid from the Special Debt Service Fund. The proceeds were then transferred from the Special Debt Service Fund to the Highway Capital Projects Fund. At June 30, 2008, Due from Other Funds is reflected in the General Debt Service Fund and Due to Other Funds is reflected in the Special Debt Service Fund, for the outstanding balance of the loan (\$366,000).

Internally financed debt is reflected below:

Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Various Projects	\$ 550,000	4 %	6-1-07	6-1-10
Park Improvements	17,020	4.85	11-1-07	11-1-10
			Paid and/or Matured	
Description	Outstanding 7-1-07	Issued During Period	Matured During Period	Outstanding 6-30-08
Various Projects	\$ 550,000	\$ 0	\$ 184,000	\$ 366,000
Park Improvements	0	17,020	0	17,020
Total	\$ 550,000	\$ 17,020	\$ 184,000	\$ 383,020

I. Short-term Debt

Hawkins County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because the cash balance was not sufficient to meet current operations. Short-term debt activity for the year ended June 30, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax Anticipation Notes	\$ 0	\$ 800,000	\$ 800,000	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

Hawkins County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that 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 (TCA), all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hawkins County School Department

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the county's financial statements. In previous years, Hawkins County and the School Department had only recognized the current year cost (expense) of

these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables of future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose, in the notes to the financial statements, the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Hawkins County. GASB Statement No. 48 had no effect on the financial statements of Hawkins County for the year ended

June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Hawkins County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Hawkins County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On August 31, 2008, Don Cinnamon left the Office of Assessor of Property and was succeeded by Jack Price, Jr.

On August 28, 2008, Hawkins County issued \$16,150,000 in other loans to refund the Series V-B-1 public building authority loan agreement.

Subsequent to June 30, 2008, the Hawkins County Board of Education approved bids totaling \$18,063,950 related to the School Department's building program. Funding for these future expenditures is being provided through the issuance of other loans by the primary government. Also, subsequent to June 30, 2008, Hawkins County borrowed funds totaling \$1,708,835 under the Series B-15-A public building authority loan agreement and contributed those funds to the School Department for the building program.

On September 29, 2008, the county's General Debt Service Fund issued a \$500,000 tax anticipation note to the General Fund for temporary operating funds.

D. Contingent Liabilities

The county is involved in several pending lawsuits. Management, based on letters from attorneys, estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Change in Administration

On July 1, 2007, Edmund Armstrong left the Office of Director of Schools and was succeeded by Charlotte Britton.

F. Joint Ventures

The Hawkins County Library System (formerly the H.B. Stamps Memorial Library) is funded by joint contributions from Hawkins County and the towns of Rogersville, Church Hill, and Surgoinsville. The Hawkins County Library System is managed by a seven-member board, of whom three are appointed by the Hawkins County Commission, three are appointed by the respective towns, and one member-at-large is jointly appointed. Hawkins County contributed \$94,000 to the operations of the library during the year ended June 30, 2008.

The Third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Third Judicial District, Greene, Hamblen, Hancock, and Hawkins counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Hawkins County made no contributions to the DTF for the year ended June 30, 2008.

The Upper East Tennessee Juvenile Detention Center was formed through a cooperative agreement between Hawkins County and the counties of Carter, Greene, Johnson, Sullivan, Unicoi, and Washington for the operation of a program to divert youth from commitment to the Department of Correction's facilities. The program is governed by a board of directors designated by the counties. The board of directors has contracted with Universal Health Services, Inc., to undertake the management of this program. Operation costs to the counties are allocated according to percentages based on population. Hawkins County's participation cost percentage is 11.7 percent. The county also pays a daily fee for each individual from their county using the facility.

Hawkins County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Hawkins County Library System, the DTF, and the Upper East Tennessee Juvenile Detention Center can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

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

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

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

G. Jointly Governed Organization

Primary Government

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 operation of the center.

Discretely Presented Hawkins County School Department

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Hawkins County, Bristol City, Carter County, Cocke County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hancock County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of 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 director of schools from each of the systems. The Executive Committee consists of the chairman and vice chairman of the Board of Control and the member directors. Funding for the cooperative is provided through state grants and member schools' contributions.

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

H. Retirement Commitments

Employees

Plan Description

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

Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hawkins County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 8.45 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2008, Hawkins County’s annual pension cost of \$1,071,054 to TCRS was equal to the 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hawkins County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 12 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$1,071,054	100%	\$0
6-30-07	1,029,065	100	0
6-30-06	819,930	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 90.87 percent funded. The actuarial accrued liability for benefits was \$37.98 million, and the actuarial value of assets was \$34.51 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.47 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.99 million, and the ratio of the UAAL to the covered payroll was 28.92 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

The Hawkins 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <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 Hawkins County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the Hawkins County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$1,646,282, \$1,557,713, and \$1,348,115, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Postemployment Healthcare Plan

Plan Description

Hawkins County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the

participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare supplement plan. The required contribution rate for retired teachers ranges from 24 to 44 percent based on the years of service. During the year ended June 30, 2008, the discretely presented School Department contributed \$669,892 for postemployment benefits. The required contribution rate for retirees of the primary government is 35 percent. During the year ended June 30, 2008, the primary government contributed \$78,092 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 2,229,000	\$ 703,000
Interest on the NPO	0	0
Adjustment to the ARC	0	0
Annual OPEB cost	\$ 2,229,000	\$ 703,000
Amount of contribution	(669,892)	(78,092)
Increase/decrease in NPO	\$ 1,559,108	\$ 624,908
Net OPEB obligation, 7-1-07	0	0
Net OPEB obligation, 6-30-08	<u>\$ 1,559,108</u>	<u>\$ 624,908</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 2,229,000	30 %	\$ 1,559,108
6-30-08	Local Government Group	703,000	11	624,908

* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	6-30-07	6-30-07
Actuarial accrued liability (AAL)	\$ 18,492,000	\$ 5,660,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 18,492,000	\$ 5,660,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 33,443,125	\$ 5,776,768
UAAL as a % of covered payroll	55%	98%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. Termination Benefits

The discretely presented Hawkins County School Department offers a voluntary termination benefits plan to its employees. To be eligible, employees must have 30 years of credible service in the Tennessee Consolidated Retirement System and no less than ten years of service with the Hawkins County School System. Under the plan, employees who accept the benefit shall receive an annual amount equal to a minimum of ten percent of their total compensation based on the highest annual salary of their last three years of employment. Benefits shall begin in July following retirement and continue until they reach the age of 62, or for a maximum of seven years, whichever is less. In the event an employee dies during the term of the agreement, the designated beneficiary shall continue to receive the payments for the remainder of the fiscal year of the employee's death. During the year, 42 employees participated in the program. The estimated cost of the cash payments, reported in the government-wide statement of net assets, by function, is \$929,293. The School Department determined this liability by calculating the total cash payments due over the next seven years. Of the amount reported in the government-wide statement of net assets, \$249,485 is reflected as a current liability in the governmental funds.

K. Purchasing Law

Purchasing procedures for all departments of Hawkins County, including the discretely presented Hawkins County School Department, are governed by provisions of Chapter 256, Private Acts of 1957, as amended. These acts provide for the county mayor to make all purchases and for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-1

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 7,910,733	\$ 0	\$ 0	\$ 7,910,733	\$ 7,828,310	\$ 7,828,310	\$ 82,423
Licenses and Permits	33,512	0	0	33,512	26,000	26,000	7,512
Fines, Forfeitures, and Penalties	427,769	0	0	427,769	197,900	198,900	228,869
Charges for Current Services	98,705	0	0	98,705	94,600	94,600	4,105
Other Local Revenues	53,628	0	0	53,628	19,200	32,810	20,818
Fees Received from County Officials	2,082,211	0	0	2,082,211	2,037,000	2,037,000	45,211
State of Tennessee	905,936	0	0	905,936	942,452	1,063,713	(157,777)
Federal Government	289,638	0	0	289,638	318,573	380,958	(91,320)
Other Governments and Citizens Groups	29,445	0	0	29,445	29,481	29,481	(36)
Total Revenues	\$ 11,831,577	\$ 0	\$ 0	\$ 11,831,577	\$ 11,493,516	\$ 11,691,772	\$ 139,805
Expenditures							
<u>General Government</u>							
County Commission	\$ 65,846	\$ 0	\$ 0	\$ 65,846	\$ 84,525	\$ 84,021	\$ 18,175
Board of Equalization	5,636	0	0	5,636	5,244	5,748	112
Beer Board	873	0	0	873	2,725	2,725	1,852
Budget and Finance Committee	7,460	0	0	7,460	9,090	9,090	1,630
County Mayor/Executive	346,259	(8,254)	5,472	343,477	358,344	358,344	14,867
County Attorney	38,739	0	0	38,739	39,602	39,602	863
Election Commission	330,856	(4,445)	19,295	345,706	348,062	366,359	20,653
Register of Deeds	260,079	(3,596)	4,218	260,701	257,942	278,449	17,748
Planning	15,157	0	0	15,157	17,200	17,200	2,043
County Buildings	427,221	(12,660)	22,833	437,394	461,598	481,759	44,365
Other General Administration	404,889	(8,343)	3,700	400,246	432,600	427,500	27,254
Preservation of Records	2,585	0	0	2,585	2,625	2,625	40
<u>Finance</u>							
Property Assessor's Office	376,702	(3,842)	0	372,860	368,404	378,504	5,644

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 172,690	\$ 0	\$ 0	\$ 172,690	\$ 178,685	\$ 178,685	\$ 5,995
County Trustee's Office	226,498	0	0	226,498	232,096	232,096	5,598
County Clerk's Office	579,571	(4,703)	14,162	589,030	603,085	603,085	14,055
<u>Administration of Justice</u>							
Circuit Court Clerk	500,316	(152)	3,933	504,097	519,404	538,048	33,951
Criminal Court	9,045	0	0	9,045	15,000	15,000	5,955
General Sessions Court	266,567	(32)	1,300	267,835	270,624	273,824	5,989
Chancery Court	57,956	(434)	3,118	60,640	68,815	68,815	8,175
Juvenile Court	112,009	0	0	112,009	116,345	114,245	2,236
Courtroom Security	28,477	0	0	28,477	0	28,700	223
<u>Public Safety</u>							
Sheriff's Department	2,745,173	(2,611)	5,415	2,747,977	2,463,203	2,976,898	228,921
Drug Enforcement	7,572	0	0	7,572	7,725	7,725	153
Administration of the Sexual Offender Registry	1,200	0	0	1,200	0	1,200	0
Jail	1,269,384	(13,763)	3,083	1,258,704	1,287,634	1,379,634	120,930
Juvenile Services	127,715	(3,828)	4,493	128,380	126,756	133,956	5,576
Fire Prevention and Control	197,688	0	0	197,688	205,000	207,689	10,001
Rescue Squad	100,000	0	0	100,000	100,000	100,000	0
Other Emergency Management	240,780	(8,674)	8,374	240,480	265,101	267,801	27,321
County Coroner/Medical Examiner	68,729	(3,145)	865	66,449	70,431	70,431	3,982
Other Public Safety	64,475	(109)	0	64,366	72,997	72,997	8,631
<u>Public Health and Welfare</u>							
Local Health Center	309,108	(9,484)	13,155	312,779	331,132	331,132	18,353
Ambulance/Emergency Medical Services	60,000	0	0	60,000	60,000	60,000	0
Dental Health Program	28,462	(3,521)	2,800	27,741	28,000	28,000	259
Other Local Health Services	263,614	0	0	263,614	398,100	417,000	153,386

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Aid to Dependent Children	\$ 6,124	\$ 0	\$ 0	\$ 6,124	\$ 6,500	\$ 376	
Other Public Health and Welfare	15,789	0	0	15,789	0	0	
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	2,000	0	0	2,000	2,000	0	
Senior Citizens Assistance	212,549	(80)	0	212,469	223,939	16,470	
Libraries	99,000	0	0	99,000	99,000	0	
Parks and Fair Boards	125,574	(1,100)	3,077	127,551	211,927	101,886	
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	77,066	0	2,852	79,918	88,368	8,450	
Forest Service	1,500	0	0	1,500	1,500	0	
Soil Conservation	45,746	0	0	45,746	47,281	1,535	
Flood Control	0	0	0	0	5,000	5,000	
Storm Water Management	21,127	(16,000)	1,350	6,477	9,927	3,450	
<u>Other Operations</u>							
Tourism	1,500	0	0	1,500	1,500	0	
Industrial Development	277,525	(3,519)	10,003	284,009	291,537	8,308	
Airport	12,808	(4,530)	1,199	9,477	48,911	39,434	
Veterans' Services	62,442	(48)	169	62,563	66,409	3,846	
Contributions to Other Agencies	27,500	0	0	27,500	27,500	0	
Employee Benefits	50,487	0	0	50,487	73,500	8,547	
Miscellaneous	206,961	(5,871)	4,588	205,678	316,591	93,578	
<u>Highways</u>							
Litter and Trash Collection	43,370	0	0	43,370	45,134	1,764	
<u>Principal on Debt</u>							
General Government	24,358	0	0	24,358	0	0	

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Interest on Debt</u>							
General Government	\$ 17,346	\$ 0	\$ 0	\$ 17,346	\$ 0	\$ 17,346	\$ 0
Other Debt Service	13,029	0	0	13,029	0	13,029	0
General Government	\$ 11,063,132	\$ (122,744)	\$ 139,454	\$ 11,079,842	\$ 11,374,618	\$ 12,187,422	\$ 1,107,580
Total Expenditures	\$ 768,445	\$ 122,744	\$ (139,454)	\$ 751,735	\$ 118,898	\$ (495,650)	\$ 1,247,385
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>							
<u>Other Financing Sources (Uses)</u>							
Premiums on Debt Issued	\$ 9,131	\$ 0	\$ 0	\$ 9,131	\$ 0	\$ 9,131	\$ 0
Other Loans Issued	540,000	0	0	540,000	0	540,000	0
Insurance Recovery	29,938	0	0	29,938	0	9,536	20,402
Transfers Out	(1,020,000)	0	0	(1,020,000)	(1,020,000)	(1,020,000)	0
Payments to Refunded Debt Escrow Agent	(20,000)	0	0	(20,000)	0	(20,000)	0
Total Other Financing Sources (Uses)	\$ (460,931)	\$ 0	\$ 0	\$ (460,931)	\$ (1,020,000)	\$ (481,333)	\$ 20,402
Net Change in Fund Balance	\$ 307,514	\$ 122,744	\$ (139,454)	\$ 290,804	\$ (901,102)	\$ (976,983)	\$ 1,267,787
Fund Balance, July 1, 2007	1,740,204	(122,744)	0	1,617,460	1,562,124	1,562,124	55,336
Fund Balance, June 30, 2008	\$ 2,047,718	\$ 0	\$ (139,454)	\$ 1,908,264	\$ 661,022	\$ 585,141	\$ 1,323,123

Exhibit E-2

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2007	Encumbrances 6/30/2008		Revenues/ Expenditures (Budgetary Basis)	Final			
<u>Revenues</u>									
Local Taxes	\$ 1,326,609	\$ 0	\$ 0	\$ 1,326,609	\$ 1,329,483	\$ 1,329,483	\$ (2,874)		
Charges for Current Services	1,847	0	0	1,847	0	0	1,847		
Other Local Revenues	10,413	0	0	10,413	13,293	13,293	(2,880)		
State of Tennessee	2,366,822	0	0	2,366,822	2,605,772	2,605,772	(238,950)		
Federal Government	1,922	0	0	1,922	0	0	1,922		
Total Revenues	\$ 3,707,613	\$ 0	\$ 0	\$ 3,707,613	\$ 3,948,548	\$ 3,948,548	\$ (240,935)		
<u>Expenditures</u>									
<u>Highways</u>									
Administration	\$ 166,217	\$ 0	\$ 0	166,217	164,387	173,922	7,705		
Highway and Bridge Maintenance	1,511,211	(3,150)	59,817	1,567,878	2,520,249	2,399,129	831,251		
Operation and Maintenance of Equipment	412,266	(672)	500	412,094	519,034	515,919	103,825		
Other Charges	127,091	(80)	0	127,011	144,000	144,000	16,989		
Employee Benefits	267,470	0	0	267,470	304,313	304,313	36,843		
Capital Outlay	531,325	(350,418)	145,694	326,601	520,240	631,940	305,339		
Total Expenditures	\$ 3,015,580	\$ (354,320)	\$ 206,011	\$ 2,867,271	\$ 4,172,223	\$ 4,169,223	\$ 1,301,952		
Excess (Deficiency) of Revenues Over Expenditures	\$ 692,033	\$ 354,320	\$ (206,011)	\$ 840,342	\$ (223,675)	\$ (220,675)	\$ 1,061,017		
<u>Other Financing Sources (Uses)</u>									
Insurance Recovery	\$ 5,279	\$ 0	\$ 0	5,279	0	0	5,279		
Transfers Out	(217,192)	0	0	(217,192)	(215,000)	(218,000)	808		
Total Other Financing Sources (Uses)	\$ (211,913)	\$ 0	\$ 0	\$ (211,913)	\$ (215,000)	\$ (218,000)	\$ 6,087		
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 480,120	\$ 354,320	\$ (206,011)	\$ 628,429	\$ (438,675)	\$ (438,675)	\$ 1,067,104		
Fund Balance, June 30, 2008	1,402,099	(354,320)	0	1,047,779	1,017,302	1,017,302	30,477		
Fund Balance, June 30, 2008	\$ 1,882,219	\$ 0	\$ (206,011)	\$ 1,676,208	\$ 578,627	\$ 578,627	\$ 1,097,581		

Exhibit E-3

Hawkins County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 34,512	\$ 37,981	\$ 3,469	90.87 %	\$11,997	28.92 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-4

Hawkins County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Hawkins County and Discretely Presented Hawkins County School Department
June 30, 2008

(Dollar amounts in thousands)

	Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		(a)	(b)	(b)-(a)	(a/b)	(c)	
Local Government Group Plan	6-30-07	\$ 0	\$ 5,660	\$ 5,660	0 %	\$ 5,777	97.98 %
Local Education Group Plan	6-30-07	0	18,492	18,492	0	33,443	55.29

*Data not available for two preceding years.

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HAWKINS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

BUDGETARY INFORMATION

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

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

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

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

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Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Debt Service Fund

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

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

Capital Projects Funds

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

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

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

Exhibit F-1

Hawkins County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds			Total	Debt Service Fund			Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees		Special Debt Service	Community Development/ Industrial Park		Highway Capital Projects	Total		
						Development/ Industrial Park	Highway Capital Projects				
Cash	0	0	69,219	69,219	0	0	0	0	0	69,219	
Equity in Pooled Cash and Investments	103,022	193,972	0	296,994	1,307,410	0	62,347	62,347	0	1,666,751	
Accounts Receivable	8,297	0	0	8,297	2,457	0	0	0	0	10,754	
Due from Other Governments	6,648	0	0	6,648	0	0	0	0	0	6,648	
Due from Other Funds	52,656	0	0	52,656	19,523	0	0	0	0	72,179	
Total Assets	\$ 170,623	\$ 193,972	\$ 69,219	\$ 433,814	\$ 1,329,390	\$ 0	\$ 62,347	\$ 62,347	\$ 0	\$ 1,825,551	

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities										
Accounts Payable	73,984	68	0	74,052	0	0	0	0	0	74,052
Retainage Payable	0	0	0	0	0	41,739	0	41,739	0	41,739
Due to Other Funds	0	0	27,908	27,908	366,000	0	0	0	0	393,908
Due to Component Units	9,582	0	0	9,582	0	0	0	0	0	9,582
Other Deferred Revenues	237	0	0	237	0	0	0	0	0	237
Total Liabilities	\$ 83,803	\$ 68	\$ 27,908	\$ 111,779	\$ 366,000	\$ 41,739	\$ 0	\$ 41,739	\$ 0	\$ 519,518
Fund Balances										
Reserved for Encumbrances	1,063	0	0	1,063	0	82,645	0	82,645	0	83,708
Reserved for Capital Outlay	0	0	0	0	0	0	62,347	62,347	0	62,347
Unreserved (Deficit)	85,757	193,904	41,311	320,972	963,390	(124,384)	0	(124,384)	20,608	1,159,978
Total Fund Balances	\$ 86,820	\$ 193,904	\$ 41,311	\$ 322,035	\$ 963,390	\$ (41,739)	\$ 62,347	\$ 20,608	\$ 1,306,033	
Total Liabilities and Fund Balances	\$ 170,623	\$ 193,972	\$ 69,219	\$ 433,814	\$ 1,329,390	\$ 0	\$ 62,347	\$ 62,347	\$ 1,825,551	

Exhibit F-2

Hawkins County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2008

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Special Revenue Funds			Capital Projects Funds			
	Special Revenue Funds	Debt Service Fund	Total	Special Debt Service	Community Development/Industrial Park	Highway Capital Projects	
Revenues							
Local Taxes	\$ 0 \$	0 \$	0 \$	343,066 \$	0 \$	0 \$	343,066
Fines, Forfeitures, and Penalties	0	98,686	0	0	0	0	98,686
Charges for Current Services	1,680	0	98,021	0	0	0	99,701
Other Local Revenues	102,610	0	102,610	109,880	0	0	212,490
State of Tennessee	20,557	0	0	0	819,549	0	840,106
Federal Government	0	1,574	1,574	0	194,977	0	196,551
Other Governments and Citizens Groups	0	0	0	0	186,452	0	186,452
Total Revenues	\$ 124,847 \$	100,260 \$	98,021 \$	452,946 \$	1,200,978 \$	0 \$	1,977,052
Expenditures							
Current:							
Administration of Justice	\$ 0 \$	0 \$	139,335 \$	0 \$	0 \$	0 \$	139,335
Public Safety	0	43,066	120	0	0	0	43,186
Public Health and Welfare	1,128,143	0	0	0	0	0	1,128,143
Debt Service:							
Principal on Debt	0	0	0	472,000	0	0	472,000
Interest on Debt	0	0	0	75,286	0	0	75,286
Other Debt Service	0	0	0	5,395	0	0	5,395
Capital Projects	0	0	0	0	1,242,717	186,505	1,429,222
Total Expenditures	\$ 1,128,143 \$	43,066 \$	139,455 \$	552,681 \$	1,242,717 \$	186,505 \$	3,292,567
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,003,296) \$	57,194 \$	(41,434) \$	(99,735) \$	(41,739) \$	(186,505) \$	(1,315,515)
Other Financing Sources (Uses)							
Transfers In	\$ 1,020,000 \$	0 \$	0 \$	217,192 \$	0 \$	0 \$	1,237,192
Total Other Financing Sources (Uses)	\$ 1,020,000 \$	0 \$	0 \$	217,192 \$	0 \$	0 \$	1,237,192
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ 16,704 \$	57,194 \$	(41,434) \$	117,457 \$	(41,739) \$	(186,505) \$	(78,323)
	70,116	136,710	82,745	845,933	0	248,852	1,384,356
Fund Balance, June 30, 2008	\$ 86,820 \$	193,904 \$	41,311 \$	963,390 \$	(41,739) \$	62,347 \$	1,306,033

Exhibit F-3

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Charges for Current Services	\$ 1,680	\$ 0	\$ 0	\$ 1,680	\$ 2,000	\$ 2,000	\$ (320)
Other Local Revenues	102,610	0	0	102,610	56,050	84,446	18,164
State of Tennessee	20,557	0	0	20,557	20,500	70,500	(49,943)
Total Revenues	\$ 124,847	\$ 0	\$ 0	\$ 124,847	\$ 78,550	\$ 156,946	\$ (32,099)
Expenditures							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 7,767	\$ 0	\$ 0	\$ 7,767	\$ 9,070	\$ 9,070	\$ 1,303
Waste Pickup	311,682	0	0	311,682	276,451	321,173	9,491
Convenience Centers	269,972	0	0	269,972	311,475	292,371	22,399
Other Waste Collection	21,566	0	0	21,566	23,137	23,137	1,571
Recycling Center	53,403	0	0	53,403	67,791	119,069	65,666
Landfill Operation and Maintenance	439,801	0	0	439,801	440,159	440,159	358
Other Waste Disposal	23,952	(2,932)	1,063	22,083	24,000	25,500	3,417
Total Expenditures	\$ 1,128,143	\$ (2,932)	\$ 1,063	\$ 1,126,274	\$ 1,152,083	\$ 1,230,479	\$ 104,205
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,003,296)	\$ 2,932	\$ (1,063)	\$ (1,001,427)	\$ (1,073,533)	\$ (1,073,533)	\$ 72,106
Other Financing Sources (Uses)							
Transfers In	\$ 1,020,000	\$ 0	\$ 0	\$ 1,020,000	\$ 1,020,000	\$ 1,020,000	\$ 0
Total Other Financing Sources (Uses)	\$ 1,020,000	\$ 0	\$ 0	\$ 1,020,000	\$ 1,020,000	\$ 1,020,000	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 16,704	\$ 2,932	\$ (1,063)	\$ 18,573	\$ (53,533)	\$ (53,533)	\$ 72,106
	70,116	(2,932)	0	67,184	63,528	63,528	3,656
Fund Balance, June 30, 2008	\$ 86,820	\$ 0	\$ (1,063)	\$ 85,757	\$ 9,995	\$ 9,995	\$ 75,762

Exhibit F-4

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 98,686	\$ 41,000	\$ 41,000	\$ 57,686
Federal Government	1,574	0	0	1,574
Total Revenues	<u>\$ 100,260</u>	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 59,260</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 43,066	\$ 81,663	\$ 81,663	\$ 38,597
Total Expenditures	<u>\$ 43,066</u>	<u>\$ 81,663</u>	<u>\$ 81,663</u>	<u>\$ 38,597</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 57,194</u>	<u>\$ (40,663)</u>	<u>\$ (40,663)</u>	<u>\$ 97,857</u>
Net Change in Fund Balance	\$ 57,194	\$ (40,663)	\$ (40,663)	\$ 97,857
Fund Balance, July 1, 2007	136,710	136,710	136,710	0
Fund Balance, June 30, 2008	<u>\$ 193,904</u>	<u>\$ 96,047</u>	<u>\$ 96,047</u>	<u>\$ 97,857</u>

Exhibit F-5

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 343,066	\$ 336,000	\$ 336,000	\$ 7,066
Other Local Revenues	109,880	100,000	100,000	9,880
Total Revenues	<u>\$ 452,946</u>	<u>\$ 436,000</u>	<u>\$ 436,000</u>	<u>\$ 16,946</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Highways and Streets	\$ 472,000	\$ 656,000	\$ 656,000	\$ 184,000
<u>Interest on Debt</u>				
Highways and Streets	75,286	80,787	80,787	5,501
<u>Other Debt Service</u>				
Highways and Streets	5,395	6,500	6,500	1,105
Total Expenditures	<u>\$ 552,681</u>	<u>\$ 743,287</u>	<u>\$ 743,287</u>	<u>\$ 190,606</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (99,735)</u>	<u>\$ (307,287)</u>	<u>\$ (307,287)</u>	<u>\$ 207,552</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 217,192	\$ 215,000	\$ 215,000	\$ 2,192
Total Other Financing Sources (Uses)	<u>\$ 217,192</u>	<u>\$ 215,000</u>	<u>\$ 215,000</u>	<u>\$ 2,192</u>
Net Change in Fund Balance	\$ 117,457	\$ (92,287)	\$ (92,287)	\$ 209,744
Fund Balance, July 1, 2007	<u>845,933</u>	<u>1,398,150</u>	<u>1,398,150</u>	<u>(552,217)</u>
Fund Balance, June 30, 2008	<u>\$ 963,390</u>	<u>\$ 1,305,863</u>	<u>\$ 1,305,863</u>	<u>\$ (342,473)</u>

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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.

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

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Exhibit G-1

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 752,435	\$ 721,445	\$ 721,445	\$ 30,990
Other Local Revenues	585,112	375,000	543,328	41,784
Total Revenues	<u>\$ 1,337,547</u>	<u>\$ 1,096,445</u>	<u>\$ 1,264,773</u>	<u>\$ 72,774</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 315,000	\$ 315,000	\$ 315,000	\$ 0
<u>Interest on Debt</u>				
General Government	179,274	651,963	651,963	472,689
<u>Other Debt Service</u>				
General Government	454,092	95,500	489,322	35,230
Total Expenditures	<u>\$ 948,366</u>	<u>\$ 1,062,463</u>	<u>\$ 1,456,285</u>	<u>\$ 507,919</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 389,181</u>	<u>\$ 33,982</u>	<u>\$ (191,512)</u>	<u>\$ 580,693</u>
<u>Other Financing Sources (Uses)</u>				
Premiums on Debt Issued	\$ 103,078	0	\$ 103,078	\$ 0
Other Loans Issued	12,425,000	0	12,425,000	0
Discounts on Debt Issued	(1,584)	0	(1,584)	0
Payments to Refunded Debt Escrow Agent	(12,301,000)	0	(12,301,000)	0
Total Other Financing Sources (Uses)	<u>\$ 225,494</u>	<u>\$ 0</u>	<u>\$ 225,494</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 614,675	\$ 33,982	\$ 33,982	\$ 580,693
Fund Balance, July 1, 2007	<u>3,278,776</u>	<u>3,275,979</u>	<u>3,275,979</u>	<u>2,797</u>
Fund Balance, June 30, 2008	<u>\$ 3,893,451</u>	<u>\$ 3,309,961</u>	<u>\$ 3,309,961</u>	<u>\$ 583,490</u>

Exhibit G-2

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Education Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,598,172	\$ 3,515,310	\$ 3,515,310	\$ 82,862
Other Local Revenues	674,715	800,000	800,000	(125,285)
Other Governments and Citizens Groups	275,131	0	275,131	0
Total Revenues	<u>\$ 4,548,018</u>	<u>\$ 4,315,310</u>	<u>\$ 4,590,441</u>	<u>\$ (42,423)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 975,193	\$ 745,193	\$ 975,193	\$ 0
<u>Interest on Debt</u>				
Education	1,544,214	1,215,182	1,544,214	0
<u>Other Debt Service</u>				
Education	151,863	161,000	185,848	33,985
Total Expenditures	<u>\$ 2,671,270</u>	<u>\$ 2,121,375</u>	<u>\$ 2,705,255</u>	<u>\$ 33,985</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,876,748</u>	<u>\$ 2,193,935</u>	<u>\$ 1,885,186</u>	<u>\$ (8,438)</u>
<u>Other Financing Sources (Uses)</u>				
Premiums on Debt Issued	\$ 7,353	\$ 0	\$ 7,353	\$ 0
Other Loans Issued	580,000	0	580,000	0
Payments to Refunded Debt Escrow Agent	(579,000)	0	(579,000)	0
Total Other Financing Sources (Uses)	<u>\$ 8,353</u>	<u>\$ 0</u>	<u>\$ 8,353</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 1,885,101	\$ 2,193,935	\$ 1,893,539	\$ (8,438)
Fund Balance, July 1, 2007	<u>5,851,631</u>	<u>5,845,418</u>	<u>5,845,418</u>	<u>6,213</u>
Fund Balance, June 30, 2008	<u>\$ 7,736,732</u>	<u>\$ 8,039,353</u>	<u>\$ 7,738,957</u>	<u>\$ (2,225)</u>

Fiduciary Funds

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

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

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

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

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Exhibit H-1

Hawkins County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	Agency Funds						Total
	Cities - Sales Tax	City School ADA - Rogersville	City School ADA - Kingsport	City School ADA - Kingsport	Constitu- tional Officers - Agency	Constitu- tional Officers - Agency	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,925,300	\$ 1,925,300	\$ 1,925,300
Equity in Pooled Cash and Investments	0	35,323	25,048	0	0	60,371	60,371
Accounts Receivable	0	0	0	0	12,537	12,537	12,537
Due from Other Governments	584,689	50,636	35,664	0	0	670,989	670,989
Property Taxes Receivable	0	650,786	458,364	0	0	1,109,150	1,109,150
Allowance for Uncollectible Property Taxes	0	(16,852)	(11,869)	0	0	(28,721)	(28,721)
Total Assets	\$ 584,689	\$ 719,893	\$ 507,207	\$ 1,937,837	\$ 3,749,626	\$ 3,749,626	\$ 3,749,626
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 584,689	\$ 719,893	\$ 507,207	\$ 0	\$ 0	\$ 1,811,789	\$ 1,811,789
Due to Litigants, Heirs, and Others	0	0	0	1,937,837	1,937,837	1,937,837	1,937,837
Total Liabilities	\$ 584,689	\$ 719,893	\$ 507,207	\$ 1,937,837	\$ 3,749,626	\$ 3,749,626	\$ 3,749,626

Exhibit H-2

Hawkins County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,377,040	\$ 3,377,040	\$ 0
Due from Other Governments	580,392	584,689	580,392	584,689
Total Assets	<u>\$ 580,392</u>	<u>\$ 3,961,729</u>	<u>\$ 3,957,432</u>	<u>\$ 584,689</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 580,392	\$ 3,961,729	\$ 3,957,432	\$ 584,689
Total Liabilities	<u>\$ 580,392</u>	<u>\$ 3,961,729</u>	<u>\$ 3,957,432</u>	<u>\$ 584,689</u>
<u>City School ADA - Rogersville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 34,580	\$ 1,604,333	\$ 1,603,590	\$ 35,323
Due from Other Governments	49,537	50,636	49,537	50,636
Property Taxes Receivable	625,812	650,786	625,812	650,786
Allowance for Uncollectible Property Taxes	(16,623)	(16,852)	(16,623)	(16,852)
Total Assets	<u>\$ 693,306</u>	<u>\$ 2,288,903</u>	<u>\$ 2,262,316</u>	<u>\$ 719,893</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 693,306	\$ 2,288,903	\$ 2,262,316	\$ 719,893
Total Liabilities	<u>\$ 693,306</u>	<u>\$ 2,288,903</u>	<u>\$ 2,262,316</u>	<u>\$ 719,893</u>
<u>City School ADA - Kingsport Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 27,938	\$ 1,205,485	\$ 1,208,375	\$ 25,048
Due from Other Governments	40,367	35,664	40,367	35,664
Property Taxes Receivable	510,251	458,364	510,251	458,364
Allowance for Uncollectible Property Taxes	(13,553)	(11,869)	(13,553)	(11,869)
Total Assets	<u>\$ 565,003</u>	<u>\$ 1,687,644</u>	<u>\$ 1,745,440</u>	<u>\$ 507,207</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 565,003	\$ 1,687,644	\$ 1,745,440	\$ 507,207
Total Liabilities	<u>\$ 565,003</u>	<u>\$ 1,687,644</u>	<u>\$ 1,745,440</u>	<u>\$ 507,207</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,332,985	\$ 10,012,171	\$ 9,419,856	\$ 1,925,300
Accounts Receivable	1,692	12,537	1,692	12,537
Total Assets	<u>\$ 1,334,677</u>	<u>\$ 10,024,708</u>	<u>\$ 9,421,548</u>	<u>\$ 1,937,837</u>

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,334,677	\$ 10,024,708	\$ 9,421,548	\$ 1,937,837
Total Liabilities	<u>\$ 1,334,677</u>	<u>\$ 10,024,708</u>	<u>\$ 9,421,548</u>	<u>\$ 1,937,837</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,332,985	\$ 10,012,171	\$ 9,419,856	\$ 1,925,300
Equity in Pooled Cash and Investments	62,518	6,186,858	6,189,005	60,371
Account Receivable	1,692	12,537	1,692	12,537
Due from Other Governments	670,296	670,989	670,296	670,989
Property Taxes Receivable	1,136,063	1,109,150	1,136,063	1,109,150
Allowance for Uncollectible Property Taxes	(30,176)	(28,721)	(30,176)	(28,721)
Total Assets	<u>\$ 3,173,378</u>	<u>\$ 17,962,984</u>	<u>\$ 17,386,736</u>	<u>\$ 3,749,626</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,838,701	\$ 7,938,276	\$ 7,965,188	\$ 1,811,789
Due to Litigants, Heirs, and Others	1,334,677	10,024,708	9,421,548	1,937,837
Total Liabilities	<u>\$ 3,173,378</u>	<u>\$ 17,962,984</u>	<u>\$ 17,386,736</u>	<u>\$ 3,749,626</u>

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Hawkins County School Department

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

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.

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

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

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Exhibit I-1

Hawkins County, Tennessee
Statement of Activities
Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Governmental	Activities
Governmental Activities:						
Instruction	\$ 37,130,453	\$ 0	\$ 3,466,813	\$ 8,630,100	\$ (25,033,540)	
Support Services	18,149,883	449,157	51,900	660,500	(16,988,326)	
Operation of Non-Instructional Services	3,735,101	1,254,101	2,713,205	70,783	302,988	
Interest on Long-term Debt	16,863	0	0	0	(16,863)	
Other Debt Service	275,131	0	0	0	(275,131)	
Total Governmental Activities	\$ 59,307,431	\$ 1,703,258	\$ 6,231,918	\$ 9,361,383	\$ (42,010,872)	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 7,592,510	
Property Taxes Levied for Transportation					1,413,397	
Local Option Sales Tax					3,569,746	
Wheel Tax					324,279	
Other Local Taxes					6,111	
Grants and Contributions Not Restricted for Specific Programs					36,323,512	
Unrestricted Investment Income					66,676	
Miscellaneous					177,298	
Gain on Disposal of Capital Assets					247,365	
Total General Revenues					\$ 49,720,894	
Change in Net Assets					\$ 7,710,022	
Net Assets, July 1, 2007					47,433,844	
Net Assets, June 30, 2008					\$ 55,143,866	

Exhibit I-2

Hawkins County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Hawkins County School Department
June 30, 2008

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	School Transpor - tation	Education Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 2,501	\$ 2,501
Equity in Pooled Cash and Investments	10,764,334	929,912	816,127	2,062,464	14,572,837
Accounts Receivable	102,567	6,615	0	415	109,597
Due from Other Governments	1,006,053	72,687	0	412,108	1,490,848
Due from Other Funds	30,664	8,812	0	45,304	84,780
Due from Primary Government	13,538	22,869	6,348,879	0	6,385,286
Property Taxes Receivable	7,967,365	1,483,661	0	0	9,451,026
Allowance for Uncollectible Property Taxes	(206,314)	(38,419)	0	0	(244,733)
Total Assets	\$ 19,678,207	\$ 2,486,137	\$ 7,165,006	\$ 2,522,792	\$ 31,852,142
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 106,570	\$ 3,810	\$ 0	\$ 54,818	\$ 165,198
Accrued Payroll	14,052	0	0	400	14,452
Contracts Payable	2,736	0	48,496	0	51,232
Retainage Payable	35,357	0	2,553	0	37,910
Termination Benefits Payable - Current	249,485	0	0	0	249,485
Due to Other Funds	54,116	3,394	0	27,270	84,780
Other Current Liabilities	1,183,605	0	0	0	1,183,605
Deferred Revenue - Current Property Taxes	7,431,377	1,383,851	0	0	8,815,228
Deferred Revenue - Delinquent Property Taxes	287,729	53,580	0	0	341,309
Other Deferred Revenues	374,052	0	0	0	374,052
Total Liabilities	\$ 9,739,079	\$ 1,444,635	\$ 51,049	\$ 82,488	\$ 11,317,251
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 490,097	\$ 587,579	\$ 7,985,843	\$ 130,689	\$ 9,194,208
Reserved for Vocational Projects	0	0	0	2,135	2,135
Reserved for Career Ladder - Extended Contract	5,842	0	0	0	5,842
Reserved for Basic Education Program	405,756	0	0	0	405,756
Reserved for Title I Grants to Local Education Agencies	0	0	0	59,035	59,035
Reserved for Special Education - Grants to States	0	0	0	135,456	135,456
Other Federal Reserves	0	0	0	42,111	42,111
Unreserved, Reported In:					
General Fund	9,037,433	0	0	0	9,037,433
Special Revenue Funds	0	453,923	0	2,070,878	2,524,801
Capital Projects Funds (Deficit)	0	0	(871,886)	0	(871,886)
Total Fund Balances	\$ 9,939,128	\$ 1,041,502	\$ 7,113,957	\$ 2,440,304	\$ 20,534,891
Total Liabilities and Fund Balances	\$ 19,678,207	\$ 2,486,137	\$ 7,165,006	\$ 2,522,792	\$ 31,852,142

Exhibit I-3

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Hawkins County School Department
June 30, 2008

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)		\$ 20,534,891
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,501,107	
Add: construction in progress	1,427,320	
Add: building and improvements net of accumulated depreciation	32,169,169	
Add: other capital assets net of accumulated depreciation	<u>2,370,266</u>	37,467,862
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: capital leases payable	\$ (204,934)	
Less: accrued interest on capital leases	(2,032)	
Less: compensated absences payable	(1,128,366)	
Less: termination benefits payable - noncurrent portion	(679,808)	
Less: other postemployment benefits	<u>(1,559,108)</u>	(3,574,248)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>715,361</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 55,143,866</u>

Exhibit I-4

Hawkins County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2008

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 11,407,835	\$ 1,544,185	\$ 0	\$ 0	\$ 12,952,020
Licenses and Permits	3,894	0	0	0	3,894
Charges for Current Services	8,721	100,446	0	1,247,101	1,356,268
Other Local Revenues	516,078	361,567	0	66,800	944,445
State of Tennessee	35,251,116	821,681	0	41,136	36,113,933
Federal Government	388,775	0	0	6,081,129	6,469,904
Other Governments and Citizens Groups	0	660,500	8,348,879	0	9,009,379
Total Revenues	\$ 47,576,419	\$ 3,488,379	\$ 8,348,879	\$ 7,436,166	\$ 66,849,843
<u>Expenditures</u>					
Current:					
Instruction	\$ 30,289,319	\$ 0	\$ 0	\$ 3,047,498	\$ 33,336,817
Support Services	13,970,036	3,152,203	0	968,359	18,090,598
Operation of Non-Instructional Services	421,181	0	0	3,265,742	3,686,923
Capital Outlay	1,560,684	0	0	0	1,560,684
Debt Service:					
Principal on Debt	154,595	0	0	0	154,595
Interest on Debt	15,865	0	0	0	15,865
Other Debt Service	0	275,131	0	0	275,131
Capital Projects	0	0	1,234,922	0	1,234,922
Total Expenditures	\$ 46,411,680	\$ 3,427,334	\$ 1,234,922	\$ 7,281,599	\$ 58,355,535
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,164,739	\$ 61,045	\$ 7,113,957	\$ 154,567	\$ 8,494,308
Net Change in Fund Balances	\$ 1,164,739	\$ 61,045	\$ 7,113,957	\$ 154,567	\$ 8,494,308
Fund Balance, July 1, 2007	8,774,389	980,457	0	2,285,737	12,040,583
Fund Balance, June 30, 2008	\$ 9,939,128	\$ 1,041,502	\$ 7,113,957	\$ 2,440,304	\$ 20,534,891

Exhibit I-5

Hawkins County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2008

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)		\$ 8,494,308
(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	\$ 2,961,586	
Less: current year depreciation expense	<u>(2,253,478)</u>	708,108
(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	\$ 70,783	
Add: gain on disposal of capital assets	247,365	
Less: proceeds received from disposal of capital assets	<u>(310,100)</u>	8,048
(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, 2008	\$ 715,361	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(618,534)</u>	96,827
(4) The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payments on capital leases	\$ 154,595	
Less: change in other postemployment benefits	<u>(1,559,108)</u>	(1,404,513)
(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	\$ (998)	
Change in compensated absences payable	18,158	
Change in termination benefits payable	<u>(209,916)</u>	<u>(192,756)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 7,710,022</u>

Exhibit I-6

Hawkins County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Hawkins County School Department
June 30, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,501	\$ 2,501
Equity in Pooled Cash and Investments	113,840	1,948,624	2,062,464
Accounts Receivable	415	0	415
Due from Other Governments	253,504	158,604	412,108
Due from Other Funds	45,304	0	45,304
Total Assets	<u>\$ 413,063</u>	<u>\$ 2,109,729</u>	<u>\$ 2,522,792</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 54,818	\$ 0	\$ 54,818
Accrued Payroll	400	0	400
Due to Other Funds	27,270	0	27,270
Total Liabilities	<u>\$ 82,488</u>	<u>\$ 0</u>	<u>\$ 82,488</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 91,838	\$ 38,851	\$ 130,689
Reserved for Vocational Projects	2,135	0	2,135
Reserved for Title I Grants to Local Education Agencies	59,035	0	59,035
Reserved for Special Education - Grants to States	135,456	0	135,456
Other Federal Reserves	42,111	0	42,111
Unreserved	0	2,070,878	2,070,878
Total Fund Balances	<u>\$ 330,575</u>	<u>\$ 2,109,729</u>	<u>\$ 2,440,304</u>
Total Liabilities and Fund Balances	<u>\$ 413,063</u>	<u>\$ 2,109,729</u>	<u>\$ 2,522,792</u>

Exhibit I-7

Hawkins County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 1,247,101	\$ 1,247,101
Other Local Revenues	0	66,800	66,800
State of Tennessee	0	41,136	41,136
Federal Government	4,138,693	1,942,436	6,081,129
Total Revenues	<u>\$ 4,138,693</u>	<u>\$ 3,297,473</u>	<u>\$ 7,436,166</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,047,498	\$ 0	\$ 3,047,498
Support Services	968,359	0	968,359
Operation of Non-Instructional Services	0	3,265,742	3,265,742
Total Expenditures	<u>\$ 4,015,857</u>	<u>\$ 3,265,742</u>	<u>\$ 7,281,599</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 122,836</u>	<u>\$ 31,731</u>	<u>\$ 154,567</u>
Net Change in Fund Balances	\$ 122,836	\$ 31,731	\$ 154,567
Fund Balance, July 1, 2007	207,739	2,077,998	2,285,737
Fund Balance, June 30, 2008	<u>\$ 330,575</u>	<u>\$ 2,109,729</u>	<u>\$ 2,440,304</u>

Exhibit I-8

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hawkins County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 11,407,835	\$ 0	\$ 0	\$ 11,407,835	\$ 11,458,646	\$ 11,458,646	\$ (50,811)
Licenses and Permits	3,894	0	0	3,894	4,400	4,400	(506)
Charges for Current Services	8,721	0	0	8,721	12,600	12,600	(3,879)
Other Local Revenues	516,078	0	0	516,078	191,376	239,573	276,505
State of Tennessee	35,251,116	0	0	35,251,116	34,528,981	35,056,369	194,747
Federal Government	388,775	0	0	388,775	478,289	448,902	(60,127)
Total Revenues	\$ 47,576,419	\$ 0	\$ 0	\$ 47,576,419	\$ 46,674,292	\$ 47,220,490	\$ 355,929
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 24,979,591	\$ (16,753)	\$ 14,485	\$ 24,977,323	\$ 25,826,626	\$ 25,843,094	\$ 865,771
Alternative Instruction Program	144,969	0	0	144,969	242,490	154,590	9,621
Special Education Program	3,987,016	0	0	3,987,016	4,238,196	4,229,196	242,180
Vocational Education Program	1,092,964	(473)	0	1,092,491	1,219,430	1,179,140	86,649
Adult Education Program	84,779	0	0	84,779	91,004	100,332	15,553
<u>Support Services</u>							
Attendance	177,821	(300)	0	177,521	179,357	179,617	2,096
Health Services	568,194	0	5,541	573,735	504,795	584,855	11,120
Other Student Support	1,240,071	0	0	1,240,071	1,351,218	1,315,588	75,517
Regular Instruction Program	1,979,235	(44,421)	65,106	1,999,920	2,291,966	2,261,651	261,731
Special Education Program	505,370	0	0	505,370	527,149	536,149	30,779
Vocational Education Program	41,220	0	0	41,220	42,483	42,483	1,263
Adult Programs	63,636	0	0	63,636	75,296	83,390	19,754
Other Programs	281,221	0	0	281,221	0	281,221	0
Board of Education	1,257,276	(20,000)	20,000	1,257,276	1,230,896	1,277,996	20,720
Director of Schools	397,548	(1,038)	0	396,510	441,738	411,523	15,013

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 2,937,891	\$ 0	\$ 0	\$ 2,937,891	\$ 3,005,481	\$ 3,062,881	\$ 124,990
Fiscal Services	180,500	(2,098)	0	178,402	173,413	182,383	3,981
Human Services/Personnel	71,456	0	0	71,456	68,129	72,729	1,273
Operation of Plant	3,434,568	0	0	3,434,568	3,332,431	3,481,581	47,013
Maintenance of Plant	825,829	(1,257)	5,999	830,571	832,981	863,842	33,271
Transportation	8,200	0	87,600	95,800	0	95,800	0
<u>Operation of Non-Instructional Services</u>							
Food Service	72,176	0	0	72,176	72,742	72,742	566
Early Childhood Education	349,005	(1,011)	229	348,223	363,267	363,267	15,044
Capital Outlay							
Regular Capital Outlay	1,560,684	(319,698)	291,137	1,532,123	2,422,513	2,522,513	990,390
Principal on Debt							
Education	154,595	0	0	154,595	154,595	154,595	0
Interest on Debt							
Education	15,865	0	0	15,865	15,865	15,865	0
Total Expenditures	\$ 46,411,680	\$ (407,049)	\$ 490,097	\$ 46,494,728	\$ 48,704,061	\$ 49,369,023	\$ 2,874,295
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 1,164,739	\$ 407,049	\$ (490,097)	\$ 1,081,691	\$ (2,029,769)	\$ (2,148,533)	\$ 3,230,224
<u>Net Change in Fund Balance</u>	\$ 1,164,739	\$ 407,049	\$ (490,097)	\$ 1,081,691	\$ (2,029,769)	\$ (2,148,533)	\$ 3,230,224
Fund Balance, July 1, 2007	8,774,389	(407,049)	0	8,367,340	8,638,165	8,638,165	(270,825)
Fund Balance, June 30, 2008	\$ 9,939,128	\$ 0	\$ (490,097)	\$ 9,449,031	\$ 6,608,396	\$ 6,489,632	\$ 2,959,399

Exhibit I-9

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hawkins County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 4,138,693 \$	0 \$	0 \$	4,138,693 \$	4,546,987 \$	4,932,896 \$	(794,203)
Total Revenues	\$ 4,138,693 \$	0 \$	0 \$	4,138,693 \$	4,546,987 \$	4,932,896 \$	(794,203)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,449,653 \$	(1,067) \$	90,728 \$	1,539,314 \$	1,751,387 \$	1,931,990 \$	392,676
Alternative Instruction Program	43,735	0	0	43,735	36,240	47,803	4,068
Special Education Program	1,398,800	0	0	1,398,800	1,575,006	1,710,156	311,356
Vocational Education Program	155,310	(14,907)	0	140,403	135,587	143,655	3,252
<u>Support Services</u>							
Health Services	112,296	0	0	112,296	110,070	127,321	15,025
Other Student Support	72,007	0	0	72,007	80,901	104,988	32,981
Regular Instruction Program	557,933	(8,900)	1,110	550,143	658,117	794,132	243,989
Special Education Program	171,496	0	0	171,496	120,179	272,738	101,242
Vocational Education Program	619	0	0	619	27,000	870	251
Adult Programs	54,008	0	0	54,008	52,500	57,500	3,492
Total Expenditures	\$ 4,015,857 \$	(24,874) \$	91,838 \$	4,082,821 \$	4,546,987 \$	5,191,153 \$	1,108,332
Excess (Deficiency) of Revenues Over Expenditures	\$ 122,836 \$	24,874 \$	(91,838) \$	55,872 \$	0 \$	(258,257) \$	314,129
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 122,836 \$	24,874 \$	(91,838) \$	55,872 \$	0 \$	(258,257) \$	314,129
	207,739	(24,874)	0	182,865	0	258,257	(75,392)
Fund Balance, June 30, 2008	\$ 330,575 \$	0 \$	(91,838) \$	238,737 \$	0 \$	0 \$	238,737

Exhibit I-10

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hawkins County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 1,247,101 \$	0 \$	0 \$	1,247,101 \$	1,317,659 \$	1,317,659 \$	(70,558)
Other Local Revenues	66,800	0	0	66,800	68,200	68,200	(1,400)
State of Tennessee	41,136	0	0	41,136	40,653	40,653	483
Federal Government	1,942,436	0	0	1,942,436	1,944,750	1,944,750	(2,314)
Total Revenues	\$ 3,297,473 \$	0 \$	0 \$	3,297,473 \$	3,371,262 \$	3,371,262 \$	(73,789)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 3,265,742 \$	(44,547) \$	38,851 \$	3,260,046 \$	3,371,262 \$	3,826,762 \$	566,716
Total Expenditures	\$ 3,265,742 \$	(44,547) \$	38,851 \$	3,260,046 \$	3,371,262 \$	3,826,762 \$	566,716
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,731 \$	44,547 \$	(38,851) \$	37,427 \$	0 \$	(455,500) \$	492,927
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 31,731 \$	44,547 \$	(38,851) \$	37,427 \$	0 \$	(455,500) \$	492,927
	2,077,998	(44,547)	0	2,033,451	2,181,029	2,181,029	(147,578)
Fund Balance, June 30, 2008	\$ 2,109,729 \$	0 \$	(38,851) \$	2,070,878 \$	2,181,029 \$	1,725,529 \$	345,349

Exhibit I-11

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Hawkins County School Department
School Transportation Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,544,185	\$ 0	\$ 0	\$ 1,544,185	\$ 1,543,187	\$ 1,543,187	\$ 998
Charges for Current Services	100,446	0	0	100,446	80,000	80,000	20,446
Other Local Revenues	361,567	0	0	361,567	328,815	344,450	17,117
State of Tennessee	821,681	0	0	821,681	821,681	821,681	0
Other Governments and Citizens Groups	660,500	0	0	660,500	0	660,500	0
Total Revenues	\$ 3,488,379	\$ 0	\$ 0	\$ 3,488,379	\$ 2,773,683	\$ 3,449,818	\$ 38,561
<u>Expenditures</u>							
Support Services							
Board of Education	\$ 40,889	\$ 0	\$ 0	\$ 40,889	\$ 33,500	\$ 40,500	\$ (389)
Transportation	3,111,314	(498,941)	587,579	3,199,952	3,103,583	3,248,251	48,299
Principal on Debt	0	0	0	0	240,000	0	0
Interest on Debt	0	0	0	0	59,500	0	0
Other Debt Service	0	0	0	0	0	0	0
Education	275,131	0	0	275,131	1,100	275,131	0
Total Expenditures	\$ 3,427,334	\$ (498,941)	\$ 587,579	\$ 3,515,972	\$ 3,437,683	\$ 3,563,882	\$ 47,910
Excess (Deficiency) of Revenues Over Expenditures	\$ 61,045	\$ 498,941	\$ (587,579)	\$ (27,593)	\$ (664,000)	\$ (114,064)	\$ 86,471
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 664,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 664,000	\$ 0	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 61,045	\$ 498,941	\$ (587,579)	\$ (27,593)	\$ 0	\$ (114,064)	\$ 86,471
	980,457	(498,941)	0	481,516	476,236	476,236	5,280
Fund Balance, June 30, 2008	\$ 1,041,502	\$ 0	\$ (587,579)	\$ 453,923	\$ 476,236	\$ 362,172	\$ 91,751

MISCELLANEOUS SCHEDULES

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Exhibit J-1

Hawkins County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
 Primary Government and Discretely Presented Hawkins County School Department
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-08
PRIMARY GOVERNMENT									
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Refunding Note - 2002	\$ 1,290,000	4 %	12-19-02	5-1-08	\$ 230,000	\$ 0	\$ 230,000	\$ 0	\$ 0
Sanitation Equipment	250,000	3 to 3.25	5-26-05	5-1-08	85,000	0	85,000	0	0
Total Payable through General Debt Service Fund					\$ 315,000	\$ 0	\$ 315,000	\$ 0	\$ 0
<u>Payable through Special Debt Service Fund</u>									
Highway/Road Construction and Repairs	750,000	4.25 to 4.4	7-26-01	8-1-11	\$ 375,000	\$ 0	\$ 75,000	\$ 0	\$ 300,000
Refunding Note - 2004	1,025,000	2 to 3.5	6-23-04	4-1-11	625,000	0	140,000	0	485,000
Highway/Road Construction and Repairs	570,000	2 to 3.35	6-23-04	4-1-10	290,000	0	90,000	0	200,000
Highway/Road Construction and Repairs	500,000	3.52	10-3-05	10-1-08	333,000	0	167,000	0	166,000
Total Payable through Special Debt Service Fund					\$ 1,623,000	\$ 0	\$ 472,000	\$ 0	\$ 1,151,000
<u>Payable through Education Debt Service Fund</u>									
EPA Asbestos Removal	532,999	0	Various	11-30-09	\$ 12,978	\$ 0	\$ 5,193	\$ 0	\$ 7,785
School Buses (1)	360,000	2 to 3	6-23-04	4-1-08	120,000	0	120,000	0	0
School Buses (1)	715,000	3 to 3.5	5-26-05	5-1-12	685,000	0	30,000	0	655,000
Total Payable through Education Debt Service Fund					\$ 817,978	\$ 0	\$ 155,193	\$ 0	\$ 662,785
Total Notes Payable					\$ 2,755,978	\$ 0	\$ 942,193	\$ 0	\$ 1,813,785
OTHER LOANS PAYABLE									
<u>Payable through General Fund</u>									
Voting Machines - Series D-7-B	60,000	Variable	5-10-06	6-1-09	\$ 40,000	\$ 0	\$ 20,000	\$ 20,000	\$ 0
Voting Machines, Refunding Series D-7-B - Series B-15-A	(2)	3	5-15-08	6-1-09	0	25,000	0	0	25,000
Patrol Cars - Series B-15-A	(2)	3 to 4	5-15-08	6-1-12	0	515,000	0	0	515,000
Total Payable through General Fund					\$ 40,000	\$ 540,000	\$ 20,000	\$ 20,000	\$ 540,000
<u>Payable through General Debt Service Fund</u>									
Justice Center and Courthouse Improvements - Series D-5-D	4,175,000	Variable	12-28-05	6-1-36	1,498,932	2,676,068	0	4,175,000	0
Justice Center and Courthouse Improvements - Series D-7-B	8,129,800	Variable	5-10-06	6-1-31	439,064	7,686,936	0	8,126,000	0
Refunding Series D-7-B - Series B-15-A	(2)	3 to 5	5-15-08	6-1-31	0	8,165,000	0	0	8,165,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-08
PRIMARY GOVERNMENT (Cont.)									
OTHER LOANS PAYABLE (Cont.)									
<u>Payable through General Debt Service Fund (Cont.)</u>									
Refunding Series D-5-D - Series B-15-A	(2)	4.75 to 5 %	5-15-08	6-1-31	\$ 0	\$ 4,260,000	\$ 0	\$ 0	\$ 4,260,000
Justice Center and Courthouse Improvements - Series B-15-A	(2)	3.5 to 5	5-15-08	6-1-31	0	20,943	0	0	20,943
Total Payable through General Debt Service Fund					\$ 1,937,996	\$ 22,808,947	\$ 0	\$ 12,301,000	\$ 12,445,943
<u>Payable through Education Debt Service Fund</u>									
School Building Program - Series V-B-1	16,000,000	(3)	6-4-03	6-1-29	\$ 16,000,000	\$ 0	\$ 0	\$ 0	\$ 16,000,000
School Buses - Series D-7-B (1)	211,200	Variable	5-10-06	6-1-09	160,000	0	80,000	80,000	0
School Buses - Series D-7-B (1)	499,000	Variable	5-10-06	6-1-16	499,000	0	0	499,000	0
Refunding Series D-7-B - Series B-15-A (1)	(2)	3 to 4.5	5-15-08	6-1-16	0	580,000	0	0	580,000
School Buses - Series B-15-A (1)	(2)	3.25 to 4.5	5-15-08	6-1-16	0	664,334	0	0	664,334
School Building Program - Series B-15-A	(2)	3.25 to 5	5-15-08	6-1-36	0	109,242	0	0	109,242
Total Payable through Education Debt Service Fund					\$ 16,659,000	\$ 1,353,576	\$ 80,000	\$ 579,000	\$ 17,353,576
Total Other Loans Payable					\$ 18,636,996	\$ 24,702,523	\$ 100,000	\$ 12,900,000	\$ 30,339,519
CAPITAL LEASES PAYABLE									
<u>Payable through General Fund</u>									
Automobile - Industrial Development Board	22,597	6.45	12-2-05	11-8-10	\$ 16,124	\$ 0	\$ 4,358	\$ 0	\$ 11,766
Total Payable through General Fund					\$ 16,124	\$ 0	\$ 4,358	\$ 0	\$ 11,766
Total Capital Leases Payable					\$ 16,124	\$ 0	\$ 4,358	\$ 0	\$ 11,766
BONDS PAYABLE									
<u>Payable through Education Debt Service Fund</u>									
Refunding	13,520,000	3 to 5	2-26-02	5-19-19	\$ 11,285,000	\$ 0	\$ 740,000	\$ 0	\$ 10,545,000
General Obligation School Bonds, Series 2007	9,700,000	3.9	12-20-07	6-1-33	0	9,700,000	0	0	9,700,000
Total Payable through Education Debt Service Fund					\$ 11,285,000	\$ 9,700,000	\$ 740,000	\$ 0	\$ 20,245,000
Total Bonds Payable					\$ 11,285,000	\$ 9,700,000	\$ 740,000	\$ 0	\$ 20,245,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-08
<u>DISCRETELY PRESENTED HAWKINS COUNTY SCHOOL DEPARTMENT</u>									
<u>CAPITAL LEASES PAYABLE</u>									
Payable through General Purpose School Fund									
Heating and Cooling System Replacement	\$ 1,336,907	5.25 %	6-22-1999	10-20-09	\$ 359,529	\$ 0	\$ 154,595	\$ 0	\$ 204,934
Total Payable through General Purpose School Fund					\$ 359,529	\$ 0	\$ 154,595	\$ 0	\$ 204,934
Total Capital Leases Payable					\$ 359,529	\$ 0	\$ 154,595	\$ 0	\$ 204,934

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

(2) The total amount approved was \$27,745,000, of which \$13,405,481 remains available for draws as of June 30, 2008.

(3) The entire amount of the PHA Loan Series V-B-1 was swapped to a synthetic fixed rate by execution of a swap agreement during a prior year.

Exhibit J-2

Hawkins County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Hawkins County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 651,192	\$ 60,075	\$ 711,267
2010	497,593	40,435	538,028
2011	415,000	22,938	437,938
2012	250,000	7,775	257,775
Total	\$ 1,813,785	\$ 131,223	\$ 1,945,008

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Other Loan Requirements
2009	\$ 485,943	\$ 1,261,138	\$ 72,556	\$ 1,819,637
2010	505,000	1,219,745	72,556	1,797,301
2011	439,242	1,190,534	72,556	1,702,332
2012	465,000	1,173,625	72,556	1,711,181
2013	445,000	1,158,512	72,556	1,676,068
2014	445,000	1,145,085	72,556	1,662,641
2015	465,000	1,129,511	72,556	1,667,067
2016	419,334	1,113,807	72,556	1,605,697
2017	335,000	1,097,033	72,556	1,504,589
2018	360,000	1,083,634	72,556	1,516,190
2019	355,000	1,069,234	72,556	1,496,790
2020	1,650,000	1,055,034	72,556	2,777,590
2021	1,725,000	992,108	66,774	2,783,882
2022	1,820,000	925,289	60,766	2,806,055
2023	1,895,000	854,805	54,417	2,804,222
2024	1,990,000	781,529	47,728	2,819,257
2025	2,085,000	704,586	40,699	2,830,285
2026	2,185,000	621,101	33,330	2,839,431
2027	2,310,000	533,575	25,621	2,869,196
2028	2,410,000	441,077	17,459	2,868,536
2029	2,545,000	344,537	8,956	2,898,493
2030	590,000	242,525	0	832,525
2031	635,000	213,025	0	848,025
2032	690,000	181,275	0	871,275
2033	715,000	146,775	0	861,775
2034	760,000	112,812	0	872,812
2035	785,000	76,713	0	861,713
2036	830,000	39,425	0	869,425
Total	\$ 30,339,519	\$ 20,908,049	\$ 1,226,422	\$ 52,473,990

(Continued)

Exhibit J-2

Hawkins County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Hawkins County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 4,648	\$ 623	\$ 5,271
2010	4,956	314	5,270
2011	2,162	35	2,197
Total	\$ 11,766	\$ 972	\$ 12,738

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 1,065,000	\$ 860,181	\$ 1,925,181
2010	1,010,000	817,871	1,827,871
2011	1,060,000	775,681	1,835,681
2012	1,110,000	731,436	1,841,436
2013	1,165,000	682,956	1,847,956
2014	1,225,000	632,091	1,857,091
2015	1,285,000	578,647	1,863,647
2016	1,355,000	521,390	1,876,390
2017	1,425,000	459,790	1,884,790
2018	1,495,000	394,993	1,889,993
2019	1,575,000	327,040	1,902,040
2020	380,000	252,525	632,525
2021	410,000	237,705	647,705
2022	415,000	221,715	636,715
2023	430,000	205,530	635,530
2024	415,000	188,760	603,760
2025	410,000	172,575	582,575
2026	430,000	156,585	586,585
2027	435,000	139,815	574,815
2028	465,000	122,850	587,850
2029	475,000	104,715	579,715
2030	515,000	86,190	601,190
2031	550,000	66,105	616,105
2032	595,000	44,655	639,655
2033	550,000	21,450	571,450
Total	\$ 20,245,000	\$ 8,803,251	\$ 29,048,251

(Continued)

Exhibit J-2

Hawkins County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Hawkins County School Department (Cont.)

DISCRETELY PRESENTED TYPICAL SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 162,872	\$ 7,587	\$ 170,459
2010	42,062	552	42,614
Total	<u>\$ 204,934</u>	<u>\$ 8,139</u>	<u>\$ 213,073</u>

Exhibit J-3

Hawkins County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Highway/Public Works	Solid Waste/Sanitation Special Debt Service	Operations Debt payments	\$ 1,020,000 217,192
Total Transfers			\$ <u>1,237,192</u>

Exhibit J-4

Hawkins County, Tennessee
 Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 79,637	\$ 50,000	Ohio Casualty Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	72,845	100,000	"
Director of Schools	State Board of Education and County Board of Education	85,800 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	66,222	1,713,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	66,222	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	66,222	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	66,222 (2)	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	66,222 (3)	75,000	"
Register	Section 8-24-102, <u>TCA</u>	66,222	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	72,845 (4)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Property and Casualty Fund
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Does not include chief executive officer training supplement of \$1,000.

(2) Does not include special commissioner fees of \$182.

(3) Does not include special commissioner fees of \$3,720.

(4) Does not include \$3,000 for serving as workhouse superintendent and \$600 for a law enforcement training supplement.

Exhibit J-5

Hawkins County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2008

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,917,033	\$ 0	\$ 0	\$ 0	\$ 1,167,529
Trustee's Collections - Prior Year	228,361	0	0	0	48,245
Circuit/Clerk & Master Collections - Prior Years	70,284	0	0	0	15,534
Interest and Penalty	42,385	0	0	0	8,813
Pick-up Taxes	18,100	0	0	0	3,669
Payments in-Lieu-of Taxes - T.V.A.	1,330	0	0	0	262
Payments in-Lieu-of Taxes - Other	6,494	0	0	0	1,299
<u>County Local Option Taxes</u>					
Local Option Sales Tax	681,967	0	0	0	0
Wheel Tax	343,066	0	0	0	0
Litigation Tax - General	169,420	0	0	0	0
Business Tax	235,295	0	0	0	0
Mineral Severance Tax	0	0	0	0	71,951
<u>Statutory Local Taxes</u>					
Bank Excise Tax	47,157	0	0	0	9,307
Wholesale Beer Tax	145,578	0	0	0	0
Interstate Telecommunications Tax	4,263	0	0	0	0
Total Local Taxes	\$ 7,910,733	\$ 0	\$ 0	\$ 0	\$ 1,326,609
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 31,802	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	1,710	0	0	0	0
Total Licenses and Permits	\$ 33,512	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 134,609	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	11,047	0	0	0	0
Drug Control Fines	22,018	0	13,215	0	0
Drug Court Fees	1,140	0	0	0	0
Jail Fees	5,215	0	0	0	0
DUI Treatment Fines	309	0	0	0	0
Data Entry Fee - Circuit Court	3,166	0	0	0	0
Courtroom Security Fee	250	0	0	0	0
<u>General Sessions Court</u>					
Fines	67,525	0	0	0	0
Officers Costs	35,288	0	0	0	0
Game and Fish Fines	1,534	0	0	0	0
Drug Control Fines	19,841	0	20,962	0	0
Drug Court Fees	8,511	0	0	0	0
Jail Fees	67,206	0	0	0	0
DUI Treatment Fines	13,913	0	0	0	0
Data Entry Fee - General Sessions Court	8,624	0	0	0	0
Courtroom Security Fee	224	0	0	0	0
<u>Juvenile Court</u>					
Fines	17,063	0	0	0	0
Officers Costs	8,109	0	0	0	0
Jail Fees	71	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
Fines, Forfeitures, and Penalties (Cont.)					
<u>Chancery Court</u>					
Officers Costs	\$ 794	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Chancery Court	1,312	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	64,509	0	0
Total Fines, Forfeitures, and Penalties	\$ 427,769	\$ 0	\$ 98,686	\$ 0	\$ 0
Charges for Current Services					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 1,680	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	33,460	0	0	0	0
Other General Service Charges	0	0	0	0	1,847
<u>Fees</u>					
Recreation Fees	6,950	0	0	0	0
Copy Fees	10,389	0	0	0	0
Telephone Commissions	20,550	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	98,021	0
Data Processing Fee - Register	20,850	0	0	0	0
Data Processing Fee - Sheriff	4,106	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,400	0	0	0	0
Total Charges for Current Services	\$ 98,705	\$ 1,680	\$ 0	\$ 98,021	\$ 1,847
Other Local Revenues					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	1,500	0	0	0	0
Sale of Gasoline	0	0	0	0	990
Sale of Recycled Materials	0	72,963	0	0	0
Miscellaneous Refunds	43,878	29,647	0	0	9,423
<u>Nonrecurring Items</u>					
Contributions and Gifts	8,250	0	0	0	0
Total Other Local Revenues	\$ 53,628	\$ 102,610	\$ 0	\$ 0	\$ 10,413
Fees Received from County Officials					
<u>Excess Fees</u>					
Clerk and Master	\$ 63,000	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees In-Lieu-of Salary</u>					
County Clerk	454,407	0	0	0	0
Circuit Court Clerk	259,617	0	0	0	0
General Sessions Court Clerk	303,478	0	0	0	0
Register	260,361	0	0	0	0
Sheriff	40,293	0	0	0	0
Trustee	701,055	0	0	0	0
Total Fees Received from County Officials	\$ 2,082,211	\$ 0	\$ 0	\$ 0	\$ 0
State of Tennessee					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 13,444	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	6,200	0	0	0	0
Aging Programs	47,959	0	0	0	0
State Reappraisal Grant	23,363	0	0	0	0
Solid Waste Grants	0	20,557	0	0	0
Other General Government Grants	15,416	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee(Cont.)</u>					
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	\$ 40,200	\$ 0	\$ 0	\$ 0	0
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	315,941	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	50,366
State Aid Program	0	0	0	0	273,816
Litter Program	41,512	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	75,844	0	0	0	0
Beer Tax	19,312	0	0	0	0
Alcoholic Beverage Tax	71,062	0	0	0	0
Prisoner Transportation	2,090	0	0	0	0
Contracted Prisoner Boarding	101,395	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,999,623
Petroleum Special Tax	0	0	0	0	43,017
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	41,419	0	0	0	0
Other State Revenues	74,399	0	0	0	0
Total State of Tennessee	\$ 905,936	\$ 20,557	\$ 0	\$ 0	\$ 2,366,822
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	0
Job Training Partnership Act	80,722	0	0	0	0
Civil Defense Reimbursement	3,646	0	0	0	0
Homeland Security Grants	154,774	0	0	0	0
Law Enforcement Grants	41,158	0	1,574	0	0
Other Federal through State	1,773	0	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	7,565	0	0	0	1,922
Total Federal Government	\$ 289,638	\$ 0	\$ 1,574	\$ 0	\$ 1,922
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Citizens Groups</u>					
Donations	3,864	0	0	0	0
<u>Other</u>					
Other	25,581	0	0	0	0
Total Other Governments and Citizens Groups	\$ 29,445	\$ 0	\$ 0	\$ 0	0
Total	\$ 11,831,577	\$ 124,847	\$ 100,260	\$ 98,021	\$ 3,707,613

(Continued)

Exhibit J-5

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Education Debt Service	Community Development/ Industrial Park	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 700,518	\$ 0	\$ 3,119,623	\$ 0	\$ 10,904,703
Trustee's Collections - Prior Year	28,947	0	64,327	0	369,880
Circuit/Clerk & Master Collections - Prior Years	8,960	0	18,539	0	113,317
Interest and Penalty	5,288	0	14,436	0	70,922
Pick-up Taxes	2,201	0	7,825	0	31,795
Payments in-Lieu-of Taxes - T.V.A.	158	0	700	0	2,450
Payments in-Lieu-of Taxes - Other	779	0	3,114	0	11,686
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	681,967
Wheel Tax	0	343,066	344,788	0	1,030,920
Litigation Tax - General	0	0	0	0	169,420
Business Tax	0	0	0	0	235,295
Mineral Severance Tax	0	0	0	0	71,951
<u>Statutory Local Taxes</u>					
Bank Excise Tax	5,584	0	24,820	0	86,868
Wholesale Beer Tax	0	0	0	0	145,578
Interstate Telecommunications Tax	0	0	0	0	4,263
Total Local Taxes	\$ 752,435	\$ 343,066	\$ 3,598,172	\$ 0	\$ 13,931,015
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,802
<u>Permits</u>					
Beer Permits	0	0	0	0	1,710
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,512
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 134,609
Officers Costs	0	0	0	0	11,047
Drug Control Fines	0	0	0	0	35,233
Drug Court Fees	0	0	0	0	1,140
Jail Fees	0	0	0	0	5,215
DUI Treatment Fines	0	0	0	0	309
Data Entry Fee - Circuit Court	0	0	0	0	3,166
Courtroom Security Fee	0	0	0	0	250
<u>General Sessions Court</u>					
Fines	0	0	0	0	67,525
Officers Costs	0	0	0	0	35,288
Game and Fish Fines	0	0	0	0	1,534
Drug Control Fines	0	0	0	0	40,803
Drug Court Fees	0	0	0	0	8,511
Jail Fees	0	0	0	0	67,206
DUI Treatment Fines	0	0	0	0	13,913
Data Entry Fee - General Sessions Court	0	0	0	0	8,624
Courtroom Security Fee	0	0	0	0	224
<u>Juvenile Court</u>					
Fines	0	0	0	0	17,063
Officers Costs	0	0	0	0	8,109
Jail Fees	0	0	0	0	71

(Continued)

Exhibit J-5

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Education Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	794
Data Entry Fee - Chancery Court	0	0	0	0	1,312
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	64,509
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 526,455
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	1,680
Work Release Charges for Board	0	0	0	0	33,460
Other General Service Charges	0	0	0	0	1,847
<u>Fees</u>					
Recreation Fees	0	0	0	0	6,950
Copy Fees	0	0	0	0	10,389
Telephone Commissions	0	0	0	0	20,550
Constitutional Officers' Fees and Commissions	0	0	0	0	98,021
Data Processing Fee - Register	0	0	0	0	20,850
Data Processing Fee - Sheriff	0	0	0	0	4,106
Sexual Offender Registration Fees - Sheriff	0	0	0	0	2,400
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	200,253
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 585,112	\$ 109,880	\$ 674,715	\$ 0	1,369,707
Lease/Rentals	0	0	0	0	1,500
Sale of Gasoline	0	0	0	0	990
Sale of Recycled Materials	0	0	0	0	72,963
Miscellaneous Refunds	0	0	0	0	82,948
<u>Nonrecurring Items</u>					
Contributions and Gifts	0	0	0	0	8,250
Total Other Local Revenues	\$ 585,112	\$ 109,880	\$ 674,715	\$ 0	1,536,358
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	63,000
<u>Fees In-Lieu-of Salary</u>					
County Clerk	0	0	0	0	454,407
Circuit Court Clerk	0	0	0	0	259,617
General Sessions Court Clerk	0	0	0	0	303,478
Register	0	0	0	0	260,361
Sheriff	0	0	0	0	40,293
Trustee	0	0	0	0	701,055
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	2,082,211
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	13,444
Airport Maintenance Program	0	0	0	0	6,200
Aging Programs	0	0	0	0	47,959
State Reappraisal Grant	0	0	0	0	23,363
Solid Waste Grants	0	0	0	0	20,557
Other General Government Grants	0	0	0	0	15,416

Exhibit J-5

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

	Debt Service Funds			Capital Projects Fund	Total
	General Debt Service	Special Debt Service	Education Debt Service	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>					
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	\$ 0	\$ 0	\$ 0	\$ 0	40,200
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	0	0	0	0	315,941
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	50,366
State Aid Program	0	0	0	0	273,816
Litter Program	0	0	0	0	41,512
Tennessee Industrial Infrastructure Program	0	0	0	819,549	819,549
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	75,844
Beer Tax	0	0	0	0	19,312
Alcoholic Beverage Tax	0	0	0	0	71,062
Prisoner Transportation	0	0	0	0	2,090
Contracted Prisoner Boarding	0	0	0	0	101,395
Gasoline and Motor Fuel Tax	0	0	0	0	1,999,623
Petroleum Special Tax	0	0	0	0	43,017
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	41,419
Other State Revenues	0	0	0	0	74,399
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 819,549	\$ 4,112,864
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 194,977	\$ 194,977
Job Training Partnership Act	0	0	0	0	80,722
Civil Defense Reimbursement	0	0	0	0	3,646
Homeland Security Grants	0	0	0	0	154,774
Law Enforcement Grants	0	0	0	0	42,732
Other Federal through State	0	0	0	0	1,773
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	0	0	0	9,487
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 194,977	\$ 488,111
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 275,131	\$ 186,452	\$ 461,583
<u>Citizens Groups</u>					
Donations	0	0	0	0	3,864
<u>Other</u>					
Other	0	0	0	0	25,581
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 275,131	\$ 186,452	\$ 491,028
Total	\$ 1,337,547	\$ 452,946	\$ 4,548,018	\$ 1,200,978	\$ 23,401,807

Hawkins County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Hawkins County School Department
 For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 7,133,962	\$ 0	\$ 0	\$ 1,328,480	\$ 0	\$ 8,462,442
Trustee's Collections - Prior Year	264,960	0	0	49,398	0	314,358
Circuit/Clerk & Master Collections - Prior Years	92,411	0	0	16,975	0	109,386
Interest and Penalty	53,540	0	0	9,988	0	63,528
Pick-up Taxes	22,330	0	0	4,158	0	26,488
Payments in-Lieu-of Taxes - T.V.A.	1,820	0	0	297	0	2,117
Payments in-Lieu-of Taxes - Other	7,905	0	0	1,472	0	9,377
<u>County Local Option Taxes</u>						
Local Option Sales Tax	3,566,792	0	0	0	0	3,566,792
Wheel Tax	201,410	0	0	122,869	0	324,279
<u>Statutory Local Taxes</u>						
Bank Excise Tax	56,644	0	0	10,548	0	67,192
Interstate Telecommunications Tax	6,061	0	0	0	0	6,061
Total Local Taxes	\$ 11,407,835	\$ 0	\$ 0	\$ 1,544,185	\$ 0	\$ 12,952,020
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	3,894	0	0	0	0	3,894
Total Licenses and Permits	\$ 3,894	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,894
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	0	0	825,702	0	0	825,702
Lunch Payments - Adults	0	0	93,330	0	0	93,330
Income from Breakfast	0	0	110,699	0	0	110,699
A la carte Sales	0	0	149,301	0	0	149,301
Transportation - Other State Systems	0	0	0	62,436	0	62,436
Receipts from Individual Schools	1,721	0	0	38,010	0	39,731
<u>Other Charges for Services</u>						
Other Charges for Services	7,000	0	68,069	0	0	75,069
Total Charges for Current Services	\$ 8,721	\$ 0	\$ 1,247,101	\$ 100,446	\$ 0	\$ 1,356,268
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	0	0	66,676	0	0	66,676

(Continued)

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Sale of Gasoline	\$ 0	\$ 0	\$ 0	\$ 346,990	\$ 0	\$ 346,990
Miscellaneous Refunds	107,062	0	0	552	0	107,614
<u>Nonrecurring Items</u>						
Sale of Equipment	765	0	0	14,000	0	14,765
Sale of Property	299,000	0	0	0	0	299,000
Damages Recovered from Individuals	3,259	0	0	25	0	3,284
Contributions and Gifts	105,225	0	0	0	0	105,225
<u>Other Local Revenues</u>						
Other Local Revenues	767	0	124	0	0	891
Total Other Local Revenues	\$ 516,078	\$ 0	\$ 66,800	\$ 361,567	\$ 0	\$ 944,445
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 281,221	\$ 0	\$ 0	\$ 0	\$ 0	\$ 281,221
<u>State Education Funds</u>						
Basic Education Program	32,692,549	0	0	821,681	0	33,514,230
Early Childhood Education	348,236	0	0	0	0	348,236
School Food Service	0	0	41,136	0	0	41,136
Driver Education	19,500	0	0	0	0	19,500
Other State Education Funds	128,731	0	0	0	0	128,731
Career Ladder Program	392,333	0	0	0	0	392,333
Career Ladder - Extended Contract	183,391	0	0	0	0	183,391
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	1,032,898	0	0	0	0	1,032,898
Other State Grants	172,257	0	0	0	0	172,257
Total State of Tennessee	\$ 35,251,116	\$ 0	\$ 41,136	\$ 821,681	\$ 0	\$ 36,113,933
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,448,564	\$ 0	\$ 0	\$ 1,448,564
Breakfast	0	0	490,610	0	0	490,610
USDA - Other	0	0	3,262	0	0	3,262
Adult Education State Grant Program	70,751	0	0	0	0	70,751
Vocational Education - Basic Grants to States	0	200,566	0	0	0	200,566
Title I Grants to Local Education Agencies	0	1,576,279	0	0	0	1,576,279

(Continued)

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Innovative Education Program Strategies	\$ 0	\$ 117,525	\$ 0	\$ 0	\$ 0	\$ 117,525
Special Education - Grants to States	0	1,660,901	0	0	0	1,660,901
Special Education Preschool Grants	0	16,729	0	0	0	16,729
Safe and Drug-Free Schools - State Grants	0	39,275	0	0	0	39,275
Eisenhower Professional Development State Grants	0	362,776	0	0	0	362,776
Other Federal through State	217,210	164,642	0	0	0	381,852
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	100,814	0	0	0	0	100,814
Total Federal Government	\$ 388,775	\$ 4,138,693	\$ 1,942,436	\$ 0	\$ 0	\$ 6,469,904
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 660,500	\$ 8,348,879	\$ 9,009,379
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 660,500	\$ 8,348,879	\$ 9,009,379
Total	\$ 47,576,419	\$ 4,138,693	\$ 3,297,473	\$ 3,488,379	\$ 8,348,879	\$ 66,849,843

Exhibit J-7

Hawkins County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	23,800	
Other Per Diem and Fees		13,150	
Social Security		2,838	
State Retirement		2,113	
Medical Insurance		4,206	
Audit Services		12,220	
Printing, Stationery, and Forms		200	
Travel		7,319	
Total County Commission			\$ 65,846

Board of Equalization

Board and Committee Members Fees	\$	5,060	
Social Security		387	
Travel		189	
Total Board of Equalization			5,636

Beer Board

Board and Committee Members Fees	\$	774	
Social Security		61	
State Retirement		38	
Total Beer Board			873

Budget and Finance Committee

Board and Committee Members Fees	\$	6,500	
Social Security		497	
State Retirement		313	
Other Supplies and Materials		150	
Total Budget and Finance Committee			7,460

County Mayor/Executive

County Official/Administrative Officer	\$	79,637	
Accountants/Bookkeepers		170,423	
Part-time Personnel		922	
In-Service Training		225	
Social Security		18,071	
State Retirement		20,634	
Life Insurance		308	
Medical Insurance		21,327	
Unemployment Compensation		289	
Communication		1,939	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Maintenance Agreements	\$	10,341	
Rentals		4,373	
Travel		2,609	
Office Supplies		5,719	
Data Processing Equipment		7,344	
Office Equipment		2,098	
Total County Mayor/Executive			\$ 346,259

County Attorney

County Official/Administrative Officer	\$	24,606	
Social Security		1,443	
State Retirement		2,079	
Life Insurance		55	
Medical Insurance		10,500	
Unemployment Compensation		56	
Total County Attorney			38,739

Election Commission

Assistant(s)	\$	9,000	
Supervisor/Director		53,700	
Deputy(ies)		74,999	
Overtime Pay		4,800	
Other Salaries and Wages		8,958	
Election Commission		8,760	
Election Workers		32,895	
Social Security		11,744	
State Retirement		10,978	
Life Insurance		200	
Medical Insurance		30,598	
Unemployment Compensation		336	
Communication		4,290	
Dues and Memberships		300	
Operating Lease Payments		3,468	
Legal Notices, Recording, and Court Costs		8,498	
Maintenance and Repair Services - Office Equipment		19,474	
Postal Charges		73	
Rentals		4,270	
Travel		12,793	
Other Contracted Services		13,725	
Office Supplies		12,760	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Other Charges	\$	214	
Data Processing Equipment		1,773	
Other Equipment		2,250	
Total Election Commission			\$ 330,856

Register of Deeds

County Official/Administrative Officer	\$	66,222	
Deputy(ies)		98,580	
Part-time Personnel		10,649	
Social Security		12,681	
State Retirement		13,926	
Life Insurance		257	
Medical Insurance		18,912	
Unemployment Compensation		305	
Communication		3,295	
Dues and Memberships		135	
Rentals		2,351	
Maintenance and Repair Services - Records		1,233	
Other Contracted Services		18,268	
Office Supplies		2,762	
Data Processing Equipment		10,272	
Office Equipment		231	
Total Register of Deeds			260,079

Planning

Board and Committee Members Fees	\$	2,700	
Social Security		207	
Contracts with Government Agencies		12,250	
Total Planning			15,157

County Buildings

Supervisor/Director	\$	26,062	
Custodial Personnel		63,216	
Part-time Personnel		8,286	
Other Salaries and Wages		905	
Social Security		6,887	
State Retirement		7,234	
Life Insurance		276	
Medical Insurance		20,434	
Unemployment Compensation		366	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Communication	\$	1,389	
Contracts with Government Agencies		18,478	
Janitorial Services		3,835	
Laundry Service		1,967	
Maintenance and Repair Services - Buildings		12,342	
Maintenance and Repair Services - Equipment		2,404	
Maintenance and Repair Services - Office Equipment		539	
Maintenance and Repair Services - Vehicles		474	
Pest Control		2,751	
Rentals		13,377	
Other Contracted Services		11,118	
Custodial Supplies		6,982	
Gasoline		2,028	
Small Tools		685	
Tires and Tubes		385	
Utilities		154,836	
Other Supplies and Materials		6,466	
Other Charges		257	
Building Improvements		21,684	
Motor Vehicles		12,990	
Other Equipment		2,880	
Other Capital Outlay		15,688	
Total County Buildings			\$ 427,221

Other General Administration

Dues and Memberships	\$	11,307	
Legal Notices, Recording, and Court Costs		2,758	
Maintenance Agreements		6,991	
Postal Charges		54,618	
Other Contracted Services		4,059	
Duplicating Supplies		5,018	
Building and Contents Insurance		2,785	
Liability Insurance		203,216	
Premiums on Corporate Surety Bonds		3,119	
Workers' Compensation Insurance		104,065	
Liability Claims		6,788	
Other Charges		165	
Total Other General Administration			404,889

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records

Communication	\$	588	
Other Supplies and Materials		1,997	
Total Preservation of Records			\$ 2,585

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	66,222	
Deputy(ies)		164,862	
Social Security		16,444	
State Retirement		19,526	
Life Insurance		367	
Medical Insurance		25,746	
Unemployment Compensation		336	
Communication		1,865	
Data Processing Services		19,510	
Dues and Memberships		430	
Legal Notices, Recording, and Court Costs		46	
Maintenance Agreements		1,263	
Maintenance and Repair Services - Office Equipment		200	
Maintenance and Repair Services - Vehicles		1,277	
Rentals		1,996	
Travel		2,787	
Other Contracted Services		24,050	
Gasoline		4,241	
Office Supplies		1,758	
Tires and Tubes		344	
Other Supplies and Materials		358	
Other Charges		34	
Motor Vehicles		17,500	
Office Equipment		5,540	
Total Property Assessor's Office			376,702

Reappraisal Program

Supervisor/Director	\$	35,409
Deputy(ies)		51,631
Social Security		5,612
State Retirement		7,355
Life Insurance		166
Medical Insurance		23,744
Unemployment Compensation		168

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Data Processing Services	\$	7,271	
Maintenance Agreements		8,095	
Postal Charges		1,144	
Office Supplies		962	
Other Capital Outlay		31,133	
Total Reappraisal Program			\$ 172,690

County Trustee's Office

County Official/Administrative Officer	\$	66,222	
Deputy(ies)		75,100	
Temporary Personnel		28,610	
Social Security		12,471	
State Retirement		12,831	
Life Insurance		221	
Medical Insurance		4,161	
Unemployment Compensation		331	
Communication		4,743	
Dues and Memberships		160	
Legal Notices, Recording, and Court Costs		284	
Maintenance and Repair Services - Office Equipment		8,102	
Rentals		1,603	
Travel		1,543	
Permits		180	
Office Supplies		7,116	
Other Capital Outlay		2,820	
Total County Trustee's Office			226,498

County Clerk's Office

County Official/Administrative Officer	\$	66,222
Deputy(ies)		335,761
Part-time Personnel		3,419
Other Per Diem and Fees		200
Social Security		28,719
State Retirement		33,985
Life Insurance		718
Medical Insurance		63,750
Unemployment Compensation		699
Communication		9,891
Dues and Memberships		150
Legal Notices, Recording, and Court Costs		48

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Maintenance and Repair Services - Office Equipment	\$	15,613	
Rentals		3,644	
Travel		3,267	
Other Contracted Services		630	
Office Supplies		8,333	
Office Equipment		4,522	
Total County Clerk's Office			\$ 579,571

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	66,222	
Deputy(ies)		226,656	
Part-time Personnel		19,000	
Other Salaries and Wages		3,644	
Jury and Witness Fees		4,905	
Social Security		21,509	
State Retirement		23,980	
Life Insurance		564	
Medical Insurance		59,321	
Unemployment Compensation		688	
Communication		7,776	
Dues and Memberships		120	
Legal Notices, Recording, and Court Costs		970	
Maintenance Agreements		8,912	
Maintenance and Repair Services - Office Equipment		235	
Rentals		4,066	
Travel		1,134	
Office Supplies		17,193	
Other Supplies and Materials		2,742	
Other Charges		722	
Data Processing Equipment		27,495	
Office Equipment		2,462	
Total Circuit Court Clerk			500,316

Criminal Court

Jury and Witness Fees	\$	9,045	
Total Criminal Court			9,045

General Sessions Court

Judge(s)	\$	136,818	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Secretary(ies)	\$	30,691	
Clerical Personnel		27,642	
Social Security		11,744	
State Retirement		16,490	
Life Insurance		142	
Medical Insurance		26,082	
Unemployment Compensation		112	
Communication		1,163	
Dues and Memberships		50	
Maintenance and Repair Services - Office Equipment		80	
Rentals		1,577	
Travel		1,033	
Office Supplies		782	
Other Supplies and Materials		2,485	
Other Charges		9,676	
Total General Sessions Court			\$ 266,567

Chancery Court

Social Security	\$	8,887	
State Retirement		10,133	
Life Insurance		139	
Medical Insurance		24,984	
Unemployment Compensation		253	
Communication		1,570	
Maintenance and Repair Services - Office Equipment		3,370	
Rentals		2,925	
Office Supplies		5,395	
Office Equipment		300	
Total Chancery Court			57,956

Juvenile Court

Judge(s)	\$	28,896	
Secretary(ies)		25,869	
Clerical Personnel		25,203	
Social Security		5,251	
State Retirement		6,757	
Life Insurance		166	
Medical Insurance		18,800	
Unemployment Compensation		112	
Dues and Memberships		130	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Travel	\$	370	
Other Supplies and Materials		<u>455</u>	
Total Juvenile Court			\$ 112,009

Courtroom Security

Other Equipment	\$	<u>28,477</u>	
Total Courtroom Security			28,477

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	72,845	
Deputy(ies)		754,791	
Detective(s)		187,557	
Lieutenant(s)		107,083	
Sergeant(s)		176,115	
Salary Supplements		21,600	
Secretary(ies)		23,718	
Overtime Pay		40,734	
Other Salaries and Wages		31,394	
In-Service Training		3,114	
Social Security		100,008	
State Retirement		112,483	
Life Insurance		2,206	
Medical Insurance		201,078	
Unemployment Compensation		2,343	
Communication		17,007	
Dues and Memberships		300	
Evaluation and Testing		300	
Maintenance Agreements		5,426	
Maintenance and Repair Services - Equipment		46	
Maintenance and Repair Services - Office Equipment		735	
Maintenance and Repair Services - Vehicles		47,893	
Rentals		4,117	
Tow-in Services		1,460	
Travel		135	
Other Contracted Services		108	
Gasoline		122,839	
Law Enforcement Supplies		89	
Office Supplies		2,904	
Tires and Tubes		6,773	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Uniforms	\$	12,887	
Other Supplies and Materials		2,831	
Medical Claims		75	
Other Charges		455	
Data Processing Equipment		1,823	
Motor Vehicles		591,600	
Office Equipment		2,167	
Other Equipment		81,318	
Other Capital Outlay		4,816	
Total Sheriff's Department			\$ 2,745,173

Drug Enforcement

Salary Supplements	\$	6,600	
Social Security		414	
State Retirement		558	
Total Drug Enforcement			7,572

Administration of the Sexual Offender Registry

Data Processing Equipment	\$	1,200	
Total Administration of the Sexual Offender Registry			1,200

Jail

Medical Personnel	\$	20,879	
Guards		344,943	
Cafeteria Personnel		39,437	
Part-time Personnel		13,339	
Overtime Pay		21,543	
Other Salaries and Wages		1,544	
In-Service Training		254	
Social Security		30,856	
State Retirement		32,079	
Life Insurance		908	
Medical Insurance		67,826	
Unemployment Compensation		1,384	
Communication		2,177	
Evaluation and Testing		600	
Maintenance Agreements		2,682	
Maintenance and Repair Services - Buildings		19,998	
Maintenance and Repair Services - Equipment		4,164	
Medical and Dental Services		70,000	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Postal Charges	\$	1,004	
Travel		537	
Custodial Supplies		12,433	
Drugs and Medical Supplies		77,927	
Food Preparation Supplies		5,314	
Food Supplies		112,120	
Office Supplies		1,901	
Prisoners Clothing		2,041	
Uniforms		1,240	
Utilities		36,485	
Other Supplies and Materials		15,718	
Liability Insurance		98	
Medical Claims		313,340	
Other Charges		260	
Other Equipment		13,403	
Other Capital Outlay		950	
Total Jail			\$ 1,269,384

Juvenile Services

Youth Service Officer(s)	\$	41,176	
Salary Supplements		9,000	
Social Security		3,838	
State Retirement		4,240	
Life Insurance		110	
Unemployment Compensation		112	
Communication		4,476	
Contracts with Other Public Agencies		55,539	
Maintenance and Repair Services - Office Equipment		2,636	
Travel		1,016	
Other Contracted Services		1,130	
Office Supplies		2,270	
Other Supplies and Materials		1,778	
Office Equipment		394	
Total Juvenile Services			127,715

Fire Prevention and Control

Contributions	\$	197,688	
Total Fire Prevention and Control			197,688

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rescue Squad

Contributions	\$ 100,000	
Total Rescue Squad		\$ 100,000

Other Emergency Management

Supervisor/Director	\$ 31,267	
Social Security	2,230	
State Retirement	2,642	
Life Insurance	51	
Medical Insurance	4,040	
Unemployment Compensation	56	
Communication	1,744	
Contributions	148,333	
Dues and Memberships	35	
Maintenance and Repair Services - Equipment	9,994	
Maintenance and Repair Services - Vehicles	389	
Travel	605	
Gasoline	3,103	
Office Supplies	147	
Tires and Tubes	514	
Other Supplies and Materials	600	
Workers' Compensation Insurance	213	
Other Charges	62	
Other Equipment	<u>34,755</u>	
Total Other Emergency Management		240,780

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 14,950	
Contracts with Government Agencies	40,931	
Other Charges	<u>12,848</u>	
Total County Coroner/Medical Examiner		68,729

Other Public Safety

Supervisor/Director	\$ 32,811	
Social Security	2,090	
State Retirement	2,772	
Life Insurance	42	
Medical Insurance	10,500	
Unemployment Compensation	56	
Communication	1,032	
Maintenance and Repair Services - Office Equipment	507	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Maintenance and Repair Services - Vehicles	\$	507	
Gasoline		11,956	
Tires and Tubes		380	
Other Supplies and Materials		1,822	
Total Other Public Safety			\$ 64,475

Public Health and Welfare

Local Health Center

Salary Supplements	\$	24,610	
Other Salaries and Wages		146,764	
Social Security		12,334	
State Retirement		13,471	
Life Insurance		308	
Medical Insurance		21,208	
Unemployment Compensation		461	
Communication		15,466	
Dues and Memberships		250	
Operating Lease Payments		7,113	
Maintenance and Repair Services - Buildings		4,655	
Maintenance and Repair Services - Equipment		1,542	
Pest Control		1,078	
Postal Charges		5,348	
Travel		5,553	
Other Contracted Services		20,467	
Custodial Supplies		6,006	
Drugs and Medical Supplies		1,945	
Office Supplies		7,524	
Other Supplies and Materials		3,122	
Liability Insurance		98	
Workers' Compensation Insurance		2,166	
Other Charges		191	
Other Capital Outlay		7,428	
Total Local Health Center			309,108

Ambulance/Emergency Medical Services

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

Dental Health Program

Other Salaries and Wages	\$	21,310	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Dental Health Program (Cont.)

Social Security	\$	1,630	
State Retirement		1,801	
Life Insurance		19	
Unemployment Compensation		82	
Workers' Compensation Insurance		99	
Other Capital Outlay		<u>3,521</u>	
Total Dental Health Program	\$		28,462

Other Local Health Services

Other Salaries and Wages	\$	198,648	
Social Security		14,107	
State Retirement		12,150	
Life Insurance		322	
Medical Insurance		27,471	
Unemployment Compensation		652	
Travel		8,137	
Other Supplies and Materials		599	
Liability Insurance		602	
Workers' Compensation Insurance		<u>926</u>	
Total Other Local Health Services			263,614

Aid to Dependent Children

Other Charges	\$	<u>6,124</u>	
Total Aid to Dependent Children			6,124

Other Public Health and Welfare

Other Contracted Services	\$	<u>15,789</u>	
Total Other Public Health and Welfare			15,789

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	<u>2,000</u>	
Total Adult Activities			2,000

Senior Citizens Assistance

Supervisor/Director	\$	23,484	
Social Workers		11,097	
Bus Drivers		19,961	
Secretary(ies)		20,387	
Social Security		5,290	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

State Retirement	\$	6,331	
Life Insurance		199	
Medical Insurance		23,709	
Unemployment Compensation		205	
Communication		2,437	
Contracts with Government Agencies		32,998	
Contributions		40,000	
Maintenance and Repair Services - Vehicles		1,404	
Rentals		1,472	
Transportation - Other than Students		4,589	
Travel		2,030	
Other Contracted Services		2,570	
Custodial Supplies		667	
Gasoline		631	
Office Supplies		404	
Tires and Tubes		401	
Utilities		5,320	
Other Supplies and Materials		514	
Workers' Compensation Insurance		1,010	
Other Charges		239	
Office Equipment		200	
Other Equipment		5,000	
Total Senior Citizens Assistance			\$ 212,549

Libraries

Contributions	\$	99,000	
Total Libraries			99,000

Parks and Fair Boards

Supervisor/Director	\$	16,452	
Custodial Personnel		15,419	
Maintenance Personnel		11,123	
Temporary Personnel		10,903	
Part-time Personnel		2,044	
Other Salaries and Wages		490	
Social Security		4,317	
State Retirement		1,715	
Life Insurance		121	
Unemployment Compensation		290	
Advertising		250	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Communication	\$	1,194	
Maintenance and Repair Services - Buildings		114	
Maintenance and Repair Services - Equipment		1,362	
Maintenance and Repair Services - Office Equipment		188	
Maintenance and Repair Services - Vehicles		1,136	
Rentals		1,432	
Travel		335	
Other Contracted Services		1,500	
Custodial Supplies		2,705	
Electricity		3,813	
Gasoline		5,350	
Office Supplies		82	
Tires and Tubes		694	
Water and Sewer		209	
Other Supplies and Materials		11,781	
Workers' Compensation Insurance		942	
Office Equipment		850	
Building Purchases		25,019	
Other Capital Outlay		3,744	
Total Parks and Fair Boards			\$ 125,574

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$	7,207	
Salary Supplements		53,652	
Part-time Personnel		6,014	
Social Security		1,011	
Unemployment Compensation		105	
Communication		2,940	
Rentals		1,813	
Travel		1,960	
Workers' Compensation Insurance		164	
Other Charges		2,200	
Total Agriculture Extension Service			77,066

Forest Service

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Clerical Personnel	\$	22,085	
Part-time Personnel		6,290	
Social Security		1,755	
State Retirement		1,866	
Life Insurance		55	
Medical Insurance		10,089	
Unemployment Compensation		106	
Contracts with Other Public Agencies		3,500	
Total Soil Conservation			\$ 45,746

Storm Water Management

Part-time Personnel	\$	4,200	
Social Security		321	
Unemployment Compensation		34	
Engineering Services		13,690	
Permits		2,500	
Workers' Compensation Insurance		382	
Total Storm Water Management			21,127

Other Operations

Tourism

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

Industrial Development

Supervisor/Director	\$	53,091	
Secretary(ies)		25,425	
Part-time Personnel		12,684	
Other Salaries and Wages		68,041	
Social Security		12,009	
State Retirement		9,855	
Life Insurance		166	
Medical Insurance		13,344	
Unemployment Compensation		483	
Accounting Services		2,750	
Advertising		550	
Communication		4,479	
Contributions		52,000	
Dues and Memberships		1,415	
Engineering Services		1,537	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development (Cont.)

Maintenance and Repair Services - Equipment	\$	1,898	
Maintenance and Repair Services - Vehicles		233	
Rentals		981	
Travel		1,154	
Electricity		8,490	
Gasoline		2,685	
Office Supplies		1,096	
Tires and Tubes		481	
Other Supplies and Materials		309	
Workers' Compensation Insurance		1,377	
Other Charges		51	
Office Equipment		941	
Total Industrial Development			\$ 277,525

Airport

Maintenance and Repair Services - Equipment	\$	7,063	
Permits		335	
Other Contracted Services		1,704	
Gasoline		30	
Other Supplies and Materials		345	
Other Capital Outlay		3,331	
Total Airport			12,808

Veterans' Services

Supervisor/Director	\$	22,835	
Secretary(ies)		20,556	
Part-time Personnel		933	
Social Security		3,234	
State Retirement		3,597	
Life Insurance		110	
Medical Insurance		3,483	
Unemployment Compensation		143	
Communication		1,778	
Dues and Memberships		55	
Maintenance Agreements		450	
Rentals		578	
Travel		3,277	
Office Supplies		584	
Data Processing Equipment		130	
Office Equipment		699	
Total Veterans' Services			62,442

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

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

Employee Benefits

Medical Insurance	\$ 50,487	
Total Employee Benefits		50,487

Miscellaneous

Contracts with Other Public Agencies	\$ 5,341	
Contributions	22,000	
Operating Lease Payments	750	
Other Contracted Services	968	
Other Supplies and Materials	883	
Trustee's Commission	174,951	
Other Charges	339	
Other Capital Outlay	1,729	
Total Miscellaneous		206,961

Highways

Litter and Trash Collection

Overtime Pay	\$ 495	
Other Salaries and Wages	26,273	
Social Security	2,019	
State Retirement	2,262	
Life Insurance	55	
Unemployment Compensation	56	
Contracts with Other Public Agencies	8,000	
Travel	45	
Other Supplies and Materials	1,906	
Workers' Compensation Insurance	2,259	
Total Litter and Trash Collection		43,370

Principal on Debt

General Government

Principal on Capital Leases	\$ 4,358	
Principal on Other Loans	20,000	
Total General Government		24,358

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Interest on Debt

General Government

Interest on Notes	\$	14,646	
Interest on Capital Leases		921	
Interest on Other Loans		1,779	
Total General Government			\$ 17,346

Other Debt Service

General Government

Underwriter's Discount	\$	2,700	
Other Debt Issuance Charges		10,329	
Total General Government			13,029

Total General Fund

\$ 11,063,132

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	6,000	
Other Fringe Benefits		889	
Communication		232	
Dues and Memberships		100	
Workers' Compensation Insurance		546	
Total Sanitation Management			\$ 7,767

Waste Pickup

Truck Drivers	\$	84,666	
Overtime Pay		9,266	
Other Salaries and Wages		2,476	
Other Fringe Benefits		17,029	
Communication		81	
Maintenance and Repair Services - Vehicles		26,260	
Tow-in Services		1,800	
Other Contracted Services		7,333	
Equipment and Machinery Parts		1,529	
Gasoline		92,533	
Lubricants		3,427	
Tires and Tubes		19,215	
Uniforms		100	
Vehicle Parts		28,194	
Other Supplies and Materials		9,780	
Workers' Compensation Insurance		7,993	
Total Waste Pickup			311,682

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers

Laborers	\$	180,441	
Overtime Pay		3,431	
Other Fringe Benefits		37,632	
Communication		5,223	
Operating Lease Payments		4,300	
Maintenance and Repair Services - Equipment		6,650	
Rentals		6,020	
Crushed Stone		886	
Utilities		5,157	
Other Supplies and Materials		1,569	
Workers' Compensation Insurance		15,902	
Other Capital Outlay		2,761	
Total Convenience Centers			\$ 269,972

Other Waste Collection

Overtime Pay	\$	289	
Other Salaries and Wages		16,874	
Other Fringe Benefits		2,874	
Communication		54	
Workers' Compensation Insurance		1,475	
Total Other Waste Collection			21,566

Recycling Center

Laborers	\$	15,214	
Overtime Pay		521	
Other Salaries and Wages		20,932	
Other Fringe Benefits		5,456	
Communication		587	
Maintenance and Repair Services - Buildings		37	
Maintenance and Repair Services - Equipment		69	
Maintenance and Repair Services - Vehicles		60	
Travel		97	
Gasoline		469	
Utilities		4,245	
Other Supplies and Materials		2,629	
Workers' Compensation Insurance		3,037	
Other Charges		50	
Total Recycling Center			53,403

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance

Contracts for Landfill Facilities	\$	405,159	
Surcharge		<u>34,642</u>	
Total Landfill Operation and Maintenance	\$		439,801

Other Waste Disposal

Disposal Fees	\$	<u>23,952</u>	
Total Other Waste Disposal			<u>23,952</u>

Total Solid Waste/Sanitation Fund \$ 1,128,143

Drug Control Fund

Public Safety

Drug Enforcement

Overtime Pay	\$	5,949	
In-Service Training		500	
Other Fringe Benefits		1,146	
Communication		1,081	
Confidential Drug Enforcement Payments		20,000	
Rentals		1,716	
Veterinary Services		333	
Other Supplies and Materials		4,950	
Trustee's Commission		1,325	
Other Charges		1,075	
Other Capital Outlay		<u>4,991</u>	
Total Drug Enforcement	\$		<u>43,066</u>

Total Drug Control Fund 43,066

Constitutional Officers - Fees Fund

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	<u>182</u>	
Total Circuit Court	\$		182

Chancery Court

Constitutional Officers' Operating Expenses	\$	<u>139,153</u>	
Total Chancery Court			139,153

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 120	
Total Sheriff's Department		\$ 120

Total Constitutional Officers - Fees Fund \$ 139,455

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 72,845	
Secretary(ies)	57,075	
Overtime Pay	119	
Communication	3,717	
Dues and Memberships	3,373	
Laundry Service	2,038	
Legal Notices, Recording, and Court Costs	162	
Maintenance Agreements	2,751	
Maintenance and Repair Services - Equipment	549	
Maintenance and Repair Services - Vehicles	26	
Pest Control	376	
Printing, Stationery, and Forms	535	
Rentals	2,951	
Travel	975	
Other Contracted Services	310	
Custodial Supplies	732	
Drugs and Medical Supplies	70	
Electricity	7,813	
Natural Gas	3,537	
Office Supplies	2,884	
Water and Sewer	496	
Other Charges	192	
Office Equipment	2,616	
Other Equipment	75	
Total Administration		\$ 166,217

Highway and Bridge Maintenance

Foremen	\$ 29,393
Equipment Operators	301,960
Truck Drivers	236,463
Laborers	129,610
Temporary Personnel	64,755

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Overtime Pay	\$	10,163	
Laundry Service		10,613	
Rentals		9,676	
Other Contracted Services		194,853	
Asphalt - Hot Mix		65,013	
Asphalt - Liquid		252,046	
Concrete		395	
Crushed Stone		150,641	
Pipe - Metal		31,212	
Road Signs		13,705	
Structural Steel		949	
Other Supplies and Materials		9,764	
Total Highway and Bridge Maintenance			\$ 1,511,211

Operation and Maintenance of Equipment

Foremen	\$	33,384	
Mechanic(s)		79,967	
Overtime Pay		2,739	
Laundry Service		3,205	
Maintenance and Repair Services - Buildings		1,042	
Maintenance and Repair Services - Equipment		3,050	
Maintenance and Repair Services - Vehicles		4,463	
Rentals		853	
Diesel Fuel		113,780	
Equipment and Machinery Parts		66,689	
Garage Supplies		1,152	
Gasoline		64,507	
Lubricants		8,766	
Tires and Tubes		24,732	
Other Supplies and Materials		3,844	
Other Charges		93	
Total Operation and Maintenance of Equipment			412,266

Other Charges

Evaluation and Testing	\$	3,865	
Trustee's Commission		47,861	
Workers' Compensation Insurance		75,010	
Other Charges		355	
Total Other Charges			127,091

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	75,545	
State Retirement		73,744	
Life Insurance		2,053	
Medical Insurance		100,882	
Unemployment Compensation		15,246	
Total Employee Benefits			\$ 267,470

Capital Outlay

Engineering Services	\$	5,299	
Bridge Construction		50,366	
Highway Equipment		6,560	
Motor Vehicles		15,106	
State Aid Projects		453,994	
Total Capital Outlay			531,325

Total Highway/Public Works Fund \$ 3,015,580

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	315,000	
Total General Government			\$ 315,000

Interest on Debt

General Government

Interest on Notes	\$	11,963	
Interest on Other Loans		167,311	
Total General Government			179,274

Other Debt Service

General Government

Consultants	\$	4,000	
Fiscal Agent Charges		622	
Trustee's Commission		18,885	
Underwriter's Discount		62,125	
Other Debt Issuance Charges		163,369	
Other Debt Service		205,091	
Total General Government			454,092

Total General Debt Service Fund 948,366

(Continued)

Exhibit J-7

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

<u>Special Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Highways and Streets</u>		
Principal on Notes	\$ 472,000	
Total Highways and Streets		\$ 472,000
 <u>Interest on Debt</u>		
<u>Highways and Streets</u>		
Interest on Notes	\$ 75,286	
Total Highways and Streets		75,286
 <u>Other Debt Service</u>		
<u>Highways and Streets</u>		
Fiscal Agent Charges	\$ 1,072	
Trustee's Commission	4,323	
Total Highways and Streets		5,395
Total Special Debt Service Fund		\$ 552,681
 <u>Education Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 740,000	
Principal on Notes	155,193	
Principal on Other Loans	80,000	
Total Education		\$ 975,193
 <u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 684,366	
Interest on Notes	27,500	
Interest on Other Loans	832,348	
Total Education		1,544,214
 <u>Other Debt Service</u>		
<u>Education</u>		
Fiscal Agent Charges	\$ 482	
Trustee's Commission	73,611	
Underwriter's Discount	2,900	
Other Debt Issuance Charges	5,453	
Other Debt Service	69,417	
Total Education		151,863
Total Education Debt Service Fund		2,671,270

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Safety Projects</u>		
Architects	\$ 269,959	
Underwriter's Discount	13,375	
Other Debt Issuance Charges	33,997	
Building Construction	<u>4,864,624</u>	
Total Public Safety Projects		\$ 5,181,955
 <u>Education Capital Projects</u>		
Contributions	\$ 10,232,125	
Underwriter's Discount	106,125	
Other Debt Issuance Charges	<u>240,746</u>	
Total Education Capital Projects		<u>10,578,996</u>
Total General Capital Projects Fund		\$ 15,760,951
 <u>Community Development/Industrial Park Fund</u>		
<u>Capital Projects</u>		
<u>Public Utility Projects</u>		
Other Contracted Services	\$ 194,977	
Total Public Utility Projects		\$ 194,977
 <u>Other General Government Projects</u>		
Engineering Services	\$ 78,810	
Other Contracted Services	13,500	
Other Construction	<u>955,430</u>	
Total Other General Government Projects		<u>1,047,740</u>
Total Community Development/Industrial Park Fund		1,242,717
 <u>Highway Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Highway and Street Capital Projects</u>		
Bridge Construction	\$ 16,147	
Highway Equipment	<u>170,358</u>	
Total Highway and Street Capital Projects		<u>\$ 186,505</u>
Total Highway Capital Projects Fund		<u>186,505</u>
Total Governmental Funds - Primary Government		<u>\$ 36,751,866</u>

Exhibit J-8

Hawkins County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 17,233,277	
Career Ladder Program	215,785	
Career Ladder Extended Contracts	117,740	
Homebound Teachers	140,304	
Educational Assistants	722,366	
Other Salaries and Wages	31,382	
Certified Substitute Teachers	31,249	
Non-certified Substitute Teachers	215,206	
Social Security	1,078,451	
State Retirement	1,137,272	
Life Insurance	71,275	
Medical Insurance	2,519,149	
Unemployment Compensation	19,119	
Employer Medicare	257,729	
Other Contracted Services	34,928	
Instructional Supplies and Materials	263,147	
Textbooks	604,436	
Other Supplies and Materials	7,111	
Fee Waivers	69,531	
Other Charges	113,441	
Regular Instruction Equipment	96,693	
Total Regular Instruction Program		\$ 24,979,591

Alternative Instruction Program

Teachers	\$ 79,038	
Educational Assistants	27,640	
Certified Substitute Teachers	944	
Non-certified Substitute Teachers	510	
Social Security	6,393	
State Retirement	7,268	
Life Insurance	659	
Medical Insurance	13,894	
Unemployment Compensation	162	
Employer Medicare	1,495	
Instructional Supplies and Materials	2,714	
Textbooks	1,391	
Other Equipment	2,861	
Total Alternative Instruction Program		144,969

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$ 2,078,098	
Career Ladder Program	33,795	
Career Ladder Extended Contracts	5,643	
Homebound Teachers	92,332	
Educational Assistants	384,716	
Speech Pathologist	227,080	
Other Salaries and Wages	127,098	
Certified Substitute Teachers	1,632	
Non-certified Substitute Teachers	75,605	
Social Security	172,771	
State Retirement	184,705	
Life Insurance	14,309	
Medical Insurance	493,542	
Unemployment Compensation	4,193	
Employer Medicare	41,397	
Contracts with Private Agencies	151	
Evaluation and Testing	9,960	
Maintenance and Repair Services - Equipment	1,028	
Other Contracted Services	24,125	
Instructional Supplies and Materials	7,844	
Other Supplies and Materials	6,992	
Total Special Education Program	\$ 3,987,016	

Vocational Education Program

Teachers	\$ 846,233	
Career Ladder Program	8,515	
Career Ladder Extended Contracts	1,463	
Certified Substitute Teachers	153	
Non-certified Substitute Teachers	11,080	
Social Security	51,616	
State Retirement	53,093	
Life Insurance	3,135	
Medical Insurance	90,839	
Unemployment Compensation	966	
Employer Medicare	12,058	
Instructional Supplies and Materials	13,538	
T&I Construction Materials	275	
Total Vocational Education Program	1,092,964	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program

Teachers	\$	66,024	
Social Security		2,623	
State Retirement		3,067	
Life Insurance		144	
Medical Insurance		4,007	
Unemployment Compensation		89	
Employer Medicare		935	
Instructional Supplies and Materials		7,890	
Total Adult Education Program			\$ 84,779

Support Services

Attendance

Supervisor/Director	\$	69,192	
Career Ladder Program		1,000	
Other Salaries and Wages		54,824	
Social Security		7,518	
State Retirement		8,964	
Life Insurance		417	
Medical Insurance		14,076	
Unemployment Compensation		95	
Employer Medicare		1,758	
Travel		10,259	
Other Charges		3,081	
Attendance Equipment		6,637	
Total Attendance			177,821

Health Services

Medical Personnel	\$	173,877	
Other Salaries and Wages		122,739	
Social Security		17,006	
State Retirement		21,722	
Life Insurance		1,548	
Medical Insurance		71,877	
Unemployment Compensation		441	
Employer Medicare		3,977	
Communication		1,000	
Postal Charges		10	
Travel		17,804	
Other Contracted Services		29,433	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Drugs and Medical Supplies	\$	15,347	
Other Supplies and Materials		69,345	
In Service/Staff Development		1,829	
Other Charges		18,745	
Health Equipment		1,494	
Total Health Services			\$ 568,194

Other Student Support

Career Ladder Program	\$	6,000	
Guidance Personnel		868,148	
Career Ladder Extended Contracts		5,706	
Secretary(ies)		57,004	
Social Security		55,330	
State Retirement		59,720	
Life Insurance		3,473	
Medical Insurance		120,054	
Unemployment Compensation		997	
Employer Medicare		12,940	
Evaluation and Testing		33,407	
Other Supplies and Materials		15,924	
Other Charges		1,368	
Total Other Student Support			1,240,071

Regular Instruction Program

Supervisor/Director	\$	349,991	
Career Ladder Program		26,000	
Career Ladder Extended Contracts		16,239	
Librarians		732,767	
Educational Assistants		31,492	
Other Salaries and Wages		134,300	
Social Security		75,551	
State Retirement		81,655	
Life Insurance		4,013	
Medical Insurance		158,343	
Unemployment Compensation		978	
Employer Medicare		17,884	
Travel		42,008	
Library Books/Media		45,224	
In Service/Staff Development		35,658	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Charges	\$	83,512	
Other Equipment		143,620	
Total Regular Instruction Program			\$ 1,979,235

Special Education Program

Supervisor/Director	\$	127,907	
Career Ladder Program		6,000	
Psychological Personnel		95,344	
Assessment Personnel		50,017	
Secretary(ies)		44,054	
Other Salaries and Wages		16,500	
Social Security		20,240	
State Retirement		22,543	
Life Insurance		1,066	
Medical Insurance		33,710	
Unemployment Compensation		247	
Employer Medicare		4,734	
Travel		36,875	
Other Contracted Services		5,850	
Other Supplies and Materials		17,452	
In Service/Staff Development		17,668	
Other Charges		2,406	
Other Equipment		2,757	
Total Special Education Program			505,370

Vocational Education Program

Supervisor/Director	\$	31,388	
Social Security		1,936	
State Retirement		1,959	
Life Insurance		69	
Unemployment Compensation		16	
Employer Medicare		453	
Travel		5,399	
Total Vocational Education Program			41,220

Adult Programs

Supervisor/Director	\$	49,530	
Other Salaries and Wages		1,750	
Social Security		3,061	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

State Retirement	\$	3,239	
Life Insurance		141	
Medical Insurance		3,756	
Unemployment Compensation		33	
Employer Medicare		716	
Travel		864	
In Service/Staff Development		546	
Total Adult Programs			\$ 63,636

Other Programs

On-Behalf Payments to OPEB	\$	281,221	
Total Other Programs			281,221

Board of Education

Other Salaries and Wages	\$	7,500	
Social Security		497	
State Retirement		465	
Life Insurance		25,308	
Medical Insurance		267,674	
Unemployment Compensation		23	
Employer Medicare		116	
Audit Services		19,900	
Dues and Memberships		6,908	
Legal Services		4,212	
Travel		13,871	
Liability Insurance		366,318	
Trustee's Commission		277,150	
Workers' Compensation Insurance		256,869	
Criminal Investigation of Applicants - TBI		9,775	
Other Charges		690	
Total Board of Education			1,257,276

Director of Schools

County Official/Administrative Officer	\$	85,800	
Career Ladder Program		2,000	
Secretary(ies)		122,514	
Other Salaries and Wages		13,484	
Social Security		13,082	
State Retirement		15,902	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Life Insurance	\$	930	
Medical Insurance		29,813	
Unemployment Compensation		225	
Employer Medicare		3,106	
Communication		29,519	
Dues and Memberships		10,219	
Postal Charges		9,000	
Travel		8,160	
Other Contracted Services		20,638	
Office Supplies		5,697	
Other Charges		27,459	
Total Director of Schools			\$ 397,548

Office of the Principal

Principals	\$	1,004,142	
Career Ladder Program		27,000	
Career Ladder Extended Contracts		19,604	
Assistant Principals		570,633	
Secretary(ies)		420,597	
Other Salaries and Wages		178,908	
Social Security		125,284	
State Retirement		151,178	
Life Insurance		9,708	
Medical Insurance		399,193	
Unemployment Compensation		2,295	
Employer Medicare		29,349	
Total Office of the Principal			2,937,891

Fiscal Services

Accountants/Bookkeepers	\$	116,153	
Social Security		6,556	
State Retirement		9,815	
Life Insurance		611	
Medical Insurance		31,141	
Unemployment Compensation		149	
Employer Medicare		1,533	
Other Contracted Services		8,162	
Office Supplies		5,009	
Administration Equipment		1,371	
Total Fiscal Services			180,500

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Human Services/Personnel

Supervisor/Director	\$	34,190	
Secretary(ies)		23,920	
Social Security		3,578	
State Retirement		4,155	
Life Insurance		213	
Medical Insurance		4,514	
Unemployment Compensation		49	
Employer Medicare		837	
Total Human Services/Personnel			\$ 71,456

Operation of Plant

Custodial Personnel	\$	1,006,383	
Social Security		57,158	
State Retirement		76,849	
Life Insurance		7,811	
Medical Insurance		234,416	
Unemployment Compensation		2,251	
Employer Medicare		13,426	
Other Contracted Services		86,822	
Custodial Supplies		47,063	
Electricity		1,165,658	
Fuel Oil		46,782	
Natural Gas		521,633	
Water and Sewer		132,616	
Other Supplies and Materials		15,646	
Other Charges		20,054	
Total Operation of Plant			3,434,568

Maintenance of Plant

Supervisor/Director	\$	35,280	
Secretary(ies)		21,731	
Maintenance Personnel		447,898	
Social Security		29,405	
State Retirement		41,375	
Life Insurance		2,707	
Medical Insurance		87,800	
Unemployment Compensation		677	
Employer Medicare		6,877	
Maintenance and Repair Services - Buildings		4,911	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance and Repair Services - Equipment	\$	5,017	
Other Contracted Services		16,970	
Other Supplies and Materials		33,420	
Other Charges		33,861	
Maintenance Equipment		57,900	
Total Maintenance of Plant			\$ 825,829

Transportation

Transportation Equipment	\$	8,200	
Total Transportation			8,200

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	60,036	
Career Ladder Program		1,000	
Social Security		3,784	
State Retirement		3,809	
Life Insurance		143	
Unemployment Compensation		33	
Employer Medicare		885	
Travel		2,486	
Total Food Service			72,176

Early Childhood Education

Supervisor/Director	\$	1,561	
Teachers		140,481	
Clerical Personnel		14,539	
Educational Assistants		27,723	
Other Salaries and Wages		10,879	
Social Security		11,307	
State Retirement		12,913	
Life Insurance		1,267	
Medical Insurance		36,190	
Unemployment Compensation		321	
Employer Medicare		2,644	
Travel		4,802	
Other Contracted Services		11,882	
Instructional Supplies and Materials		18,903	
Other Supplies and Materials		14,618	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

In Service/Staff Development	\$	5,319	
Other Charges		10,992	
Other Equipment		22,664	
Total Early Childhood Education			\$ 349,005

Capital Outlay

Regular Capital Outlay

Architects	\$	79,901	
Building Improvements		1,467,810	
Site Development		5,112	
Other Capital Outlay		7,861	
Total Regular Capital Outlay			1,560,684

Principal on Debt

Education

Principal on Capital Leases	\$	154,595	
Total Education			154,595

Interest on Debt

Education

Interest on Capital Leases	\$	15,865	
Total Education			15,865

Total General Purpose School Fund \$ 46,411,680

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	507,126	
Educational Assistants		282,830	
Other Salaries and Wages		64,639	
Certified Substitute Teachers		1,303	
Non-certified Substitute Teachers		11,769	
Social Security		50,425	
State Retirement		58,364	
Life Insurance		5,858	
Medical Insurance		151,331	
Unemployment Compensation		1,481	
Employer Medicare		11,804	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Maintenance and Repair Services - Equipment	\$	3,579	
Other Contracted Services		29,139	
Instructional Supplies and Materials		26,347	
Other Supplies and Materials		36,340	
Other Charges		36,072	
Regular Instruction Equipment		171,246	
Total Regular Instruction Program			\$ 1,449,653

Alternative Instruction Program

Teachers	\$	32,567	
Social Security		1,838	
State Retirement		2,032	
Life Insurance		144	
Medical Insurance		6,691	
Unemployment Compensation		33	
Employer Medicare		430	
Total Alternative Instruction Program			43,735

Special Education Program

Teachers	\$	334,799	
Educational Assistants		600,265	
Other Salaries and Wages		47,000	
Social Security		56,340	
State Retirement		72,328	
Life Insurance		9,634	
Medical Insurance		220,232	
Unemployment Compensation		2,441	
Employer Medicare		13,176	
Instructional Supplies and Materials		31,454	
Special Education Equipment		11,131	
Total Special Education Program			1,398,800

Vocational Education Program

Other Salaries and Wages	\$	3,016	
Social Security		187	
State Retirement		191	
Employer Medicare		44	
Instructional Supplies and Materials		73,972	
Vocational Instruction Equipment		77,900	
Total Vocational Education Program			155,310

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	45,810	
Social Security		2,403	
State Retirement		3,871	
Life Insurance		288	
Medical Insurance		20,021	
Unemployment Compensation		66	
Employer Medicare		562	
Travel		1,990	
Other Supplies and Materials		31,574	
Other Charges		5,711	
Total Health Services			\$ 112,296

Other Student Support

Other Salaries and Wages	\$	4,992	
Social Security		296	
State Retirement		320	
Employer Medicare		69	
Evaluation and Testing		1,799	
Travel		21,103	
Other Contracted Services		3,002	
In Service/Staff Development		5,198	
Other Charges		35,228	
Total Other Student Support			72,007

Regular Instruction Program

Supervisor/Director	\$	65,296	
Other Salaries and Wages		146,001	
Social Security		13,001	
State Retirement		13,931	
Life Insurance		435	
Medical Insurance		4,206	
Unemployment Compensation		99	
Employer Medicare		3,041	
Consultants		780	
Travel		24,044	
Library Books/Media		5,214	
Other Supplies and Materials		7,811	
In Service/Staff Development		248,522	
Other Charges		2,849	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Equipment	\$ 22,703	
Total Regular Instruction Program		\$ 557,933

Special Education Program

Assessment Personnel	\$ 60,719	
Social Security	3,765	
State Retirement	3,789	
Life Insurance	144	
Unemployment Compensation	33	
Employer Medicare	880	
Travel	18,210	
Other Contracted Services	20,521	
Other Supplies and Materials	28,507	
In Service/Staff Development	23,793	
Other Equipment	11,135	
Total Special Education Program		171,496

Vocational Education Program

In Service/Staff Development	\$ 619	
Total Vocational Education Program		619

Adult Programs

Supervisor/Director	\$ 39,564	
Social Security	2,437	
State Retirement	3,167	
Life Insurance	144	
Unemployment Compensation	41	
Employer Medicare	570	
Travel	1,386	
Other Contracted Services	3,550	
Other Equipment	3,149	
Total Adult Programs		54,008

Total School Federal Projects Fund		\$ 4,015,857
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$ 25,486	
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(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Clerical Personnel	\$	56,285	
Cafeteria Personnel		1,009,961	
Social Security		63,308	
State Retirement		80,736	
Life Insurance		15,056	
Medical Insurance		217,784	
Unemployment Compensation		2,264	
Employer Medicare		14,806	
Communication		7,675	
Maintenance and Repair Services - Equipment		45,098	
Travel		267	
Other Contracted Services		145,363	
Food Preparation Supplies		104,991	
Food Supplies		1,229,567	
Office Supplies		44,795	
Uniforms		4,907	
Other Supplies and Materials		3,747	
Other Charges		3,278	
Food Service Equipment		190,368	
Total Food Service			\$ 3,265,742

Total Central Cafeteria Fund \$ 3,265,742

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	40,889	
Total Board of Education			\$ 40,889

Transportation

Supervisor/Director	\$	35,280	
Mechanic(s)		152,120	
Bus Drivers		898,829	
Clerical Personnel		26,674	
Social Security		62,554	
State Retirement		84,726	
Life Insurance		11,851	
Medical Insurance		279,421	
Unemployment Compensation		2,958	

(Continued)

Exhibit J-8

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Employer Medicare	\$	15,015	
Communication		4,402	
Contracts with Parents		16,274	
Medical and Dental Services		4,365	
Travel		333	
Other Contracted Services		8,881	
Equipment and Machinery Parts		338	
Gasoline		789,535	
Lubricants		10,609	
Tires and Tubes		37,948	
Vehicle Parts		155,173	
Other Supplies and Materials		4,069	
Other Charges		11,018	
Transportation Equipment		<u>498,941</u>	
Total Transportation	\$		<u>3,111,314</u>

Other Debt Service

Education

Contributions	\$	<u>275,131</u>	
Total Education			<u>275,131</u>

Total School Transportation Fund \$ 3,427,334

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	521,916	
Other Contracted Services		2,441	
Building Construction		347,680	
Building Improvements		74,830	
Land		220,000	
Other Capital Outlay		<u>68,055</u>	
Total Education Capital Projects	\$		<u>1,234,922</u>

Total Education Capital Projects Fund 1,234,922

Total Governmental Funds - Hawkins County School Department \$ 58,355,535

Exhibit J-9

Hawkins County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balances - City Agency Funds
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund	City School ADA - Rogersville Fund	City School ADA - Kingsport Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 579,334	\$ 408,034	\$ 987,368
Trustee's Collections - Prior Years	0	23,869	17,497	41,366
Circuit/Clerk and Master Collections - Prior Year	0	7,477	5,652	13,129
Interest and Penalty	0	4,359	3,203	7,562
Pick-up Taxes	0	1,824	1,285	3,109
Payments in-Lieu-of Taxes - Other	0	646	455	1,101
Local Option Sales Tax	3,377,040	291,123	205,047	3,873,210
Wheel Tax	0	16,471	11,440	27,911
Bank Excise Tax	0	4,627	3,259	7,886
Interstate Telecommunications Tax	0	491	346	837
Marriage Licenses	0	319	219	538
Other Local Revenues	0	56	39	95
Contributions	0	673,737	549,009	1,222,746
Total Cash Receipts	\$ 3,377,040	\$ 1,604,333	\$ 1,205,485	\$ 6,186,858
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 3,343,270	\$ 1,588,644	\$ 1,195,031	\$ 6,126,945
Trustee's Commissions	33,770	14,946	13,344	62,060
Total Cash Disbursements	\$ 3,377,040	\$ 1,603,590	\$ 1,208,375	\$ 6,189,005
Excess of Cash Receipts Over (Under)	\$ 0	\$ 743	\$ (2,890)	\$ (2,147)
Cash Disbursements	0	34,580	27,938	62,518
Cash Balance, July 1, 2007				
Cash Balance, June 30, 2008	\$ 0	\$ 35,323	\$ 25,048	\$ 60,371

SINGLE AUDIT SECTION

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

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

October 28, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hawkins County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Hawkins County's basic financial statements and have issued our report thereon dated October 28, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Hawkins County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hawkins 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 Hawkins County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hawkins 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: 08.01, 08.02, 08.03, 08.04, 08.05, and 08.06.

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 Hawkins 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, of the significant deficiencies described above, we consider items 08.01, 08.02, and 08.03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkins 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We consider item 08.07 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 management of Hawkins County in separate communications.

Hawkins County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hawkins County's responses and, accordingly, we express no opinion on them.

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 Hawkins 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 flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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

October 28, 2008

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Hawkins 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, 2008. Hawkins 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 Hawkins County's management. Our responsibility is to express an opinion on Hawkins 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 Hawkins 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 Hawkins County's compliance with those requirements.

In our opinion, Hawkins 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, 2008.

Internal Control Over Compliance

The management of Hawkins 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 Hawkins 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 Hawkins 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 Hawkins County as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Hawkins County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Hawkins

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.

Hawkins County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hawkins County's responses and, accordingly, we express no opinion on them.

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 Hawkins County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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Hawkins County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 490,610
National School Lunch Program	10.555	N/A	1,448,564 (5)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	104,906 (5)
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	N/A	3,262
Total U.S. Department of Agriculture			<u>\$ 2,047,342</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-06-12271-00	\$ 194,977
Total U.S. Department of Housing and Urban Development			<u>\$ 194,977</u>
U.S. Department of Justice:			
Passed-through the Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-DD-BX-0026	\$ 1,574
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Z-06-027548-00	18,000
Total U.S. Department of Justice			<u>\$ 19,574</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 80,722
Total U.S. Department of Labor			<u>\$ 80,722</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	(3)	\$ 9,980
Total U.S. Department of Transportation			<u>\$ 9,980</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,626,493
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,554,789
Special Education - Preschool Grants	84.173	N/A	15,506
Career and Technical Education - Basic Grants to States	84.048	N/A	182,236
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	39,275
Even Start - State Educational Agencies	84.213	N/A	54,009
Twenty-First Century Community Learning Centers	84.287	(2)	104,098
State Grants for Innovative Programs	84.298	N/A	116,755
Education Technology State Grants	84.318	(2)	9,085
Reading First State Grants	84.357	(2)	217,210
Improving Teacher Quality State Grants	84.367	N/A	313,612

(Continued)

Hawkins 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 - Basic Grants to States	84.002	(2)	\$ 70,751
Total U.S. Department of Education			<u>\$ 4,303,819</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-07-037467-00	\$ 1,773
Total U.S. Election Assistance Commission			<u>\$ 1,773</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	Z-05-025166-01	\$ 154,774
Total U.S. Department of Homeland Security			<u>\$ 154,774</u>
Total Expenditures of Federal Awards			<u>\$ 6,812,961</u>

State Grants

		<u>Contract Number</u>	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 13,444
Airport Maintenance Program - State Department of Transportation	N/A	(2)	6,200
Aging Program - First Tennessee Development District	N/A	(2)	47,959
State Reappraisal - Comptroller of the Treasury	N/A	(2)	23,363
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	20,557
Tennessee Recreation Initiative Program - State Department of Environment and Conservation	N/A	GG-07-12515-00	7,416
Health Department Program - State Department of Health	N/A	(2)	315,941
Litter Program - State Department of Transportation	N/A	(2)	41,512
Fast Track Industrial Development Project - State Department of Economic and Community Development	N/A	(4)	819,549
Tobacco Cessation Grant - State Department of Health	N/A	GG-08-23207-00	15,789
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	261,519
Early Childhood Education Project - State Department of Education	N/A	(2)	86,717
Safe Schools Act - State Department of Education	N/A	(2)	44,600
Adult Basic Education - State Department of Education	N/A	(2)	41,006
Consolidated School Health - State Department of Education	N/A	(2)	113,537
Family Resource Center Grant - State Department of Education	N/A	(2)	<u>33,300</u>
Total State Grants			<u>\$ 1,892,409</u>

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-07-035824-00: \$5,000; Z-08-023750-00: \$4,980.
- (4) GG-06-12309-00: \$132,009; GG-07-21760-00: \$687,540.
- (5) Total for CFDA No. 10.555 is \$1,553,470.

Hawkins County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hawkins County, Tennessee, for the year ended June 30, 2007, which have not been corrected.

CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	192	Delinquent tax aggregates were not reconciled

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.08	192	A central system of accounting and budgeting had not been adopted

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HAWKINS COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Hawkins County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Hawkins 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 the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I – Grants to Local Educational Agencies (CFDA No. 84.010), and the Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Hawkins County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

HAWKINS COUNTY AND HAWKINS COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **HAWKINS COUNTY AND THE HAWKINS COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Hawkins County's and the Hawkins County School Department's financial statements be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the county's external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as they have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Hawkins County and the Hawkins County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENTS' RESPONSE – COUNTY MAYOR AND ROAD SUPERINTENDENT

We object to the harshness of the wording regarding the accounting staff not having sufficient knowledge of current generally accepted accounting principles. Our accounting

staff has over 40 years experience in governmental accounting and has always been capable of furnishing, and has sufficient knowledge of, the information needed for auditors to prepare our financial statements.

It will be a financial burden to the county should we be forced to hire additional personnel or an outside firm just for preparing these financial statements.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The accounting staff of the Hawkins County Schools is extremely competent and well trained (finance director has bachelor's degree in accounting with 20 years of experience) in accounting procedures. Due to the competent level of the staff, I found the wording in the findings to be "harsh" and I am not in agreement with the statement in the finding regarding "our staff does not have sufficient knowledge of current generally accepted accounting principles." It is my opinion that training should be provided for the expected year-end financial statements due to SAS No. 112 requiring those documents.

I wish to ensure that all accepted accounting principles and procedures are in place for the Hawkins County Board of Education.

REBUTTAL

The preparation of the financial statements and notes to the financial statements and/or having the knowledge to determine the completeness of the financial statements and notes prepared by external auditors has always been management's responsibility. Government standard setting bodies are now placing more emphasis on this issue to encourage management to accept responsibility for their financial reports. We are recommending that at least one staff member be trained to have sufficient accounting expertise to either prepare the financial statements and disclosures or have the knowledge to determine the completeness of the statements and disclosures that the auditors prepare.

OFFICE OF COUNTY MAYOR

FINDING 08.02 **COLLECTIONS OF AT LEAST \$710 WERE NOT ACCOUNTED FOR AT LAUREL RUN PARK**
(Internal Control – Material Weakness Under Government Auditing Standards)

On October 3, 2007, the county trustee notified us of a potential cash shortage at the Laurel Run Park. We performed audit procedures at the park through October 10, 2007, and determined that collections of at least \$710 were not accounted for between August 12, 2007, and September 9, 2007. The following deficiencies contributed to the cash shortage:

- A. Receipts were not always completed properly. In several instances, the date, amount, and/or payer were omitted on the receipts. Additionally, the receipts did not indicate the form of payment (i.e., cash or check).

- B. Since some receipts did not reflect the date of collection and/or the form of payment, we were unable to determine if collections were deposited intact and within three days as required by Section 5-8-207, Tennessee Code Annotated.
- C. Park personnel did not reconcile receipts with deposits; instead, park personnel subsequently provided copies of the receipts and deposits slips to the trustee's office for the trustee to reconcile the receipts with deposits. A reconciliation of receipts with deposits by park personnel would have indicated that all collections were not being deposited to the bank.
- D. Park personnel did not prepare the bank deposit slips. Based on information provided to us by park employees, deposit slips were prepared by the bank tellers instead of the park employees. The process of allowing the bank tellers to complete the deposit slips resulted in checks not being individually listed on the deposit slips. Additionally, the validated deposit slips were not always maintained and remitted to the County Mayor's Office in a timely manner.
- E. Management of the park did not adequately supervise the receipting/depositing operations of the Laurel Run Park. An employee, other than the park director or caretaker, was allowed access to collections. In accordance with job descriptions, only the park director or caretaker should have access to collections.

These internal control deficiencies existed because of an overall lack of management oversight and control in the daily financial functions of the park's operations. Weaknesses in internal control provide increased opportunities for fraud to occur.

RECOMMENDATION

Officials should take steps to liquidate the cash shortage of \$710. Also, officials should take immediate steps to improve internal control procedures over the operations of the Laurel Run Park and should randomly perform internal audit procedures at the park periodically to ensure control over collections by park employees. Receipts should be filled out completely and reflect the form of payment. Deposits slips should be filled out by park personnel and should be made intact within three days of collection. The park's director or custodian should reconcile receipts with deposits and prepare the deposit slips. Only the park's director and caretaker should have access to collections. Duties should be adequately segregated among employees.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 08.03 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted accounting principles require the Hawkins County School Department to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, various general ledgers were not materially correct, and multiple audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the School Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the School Department in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the School Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Hawkins County School Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Due to SAS No. 112, our system incurred Findings 08.01 and 08.03. The Hawkins County Board of Education will have appropriate processes in place to ensure that its general ledgers are materially correct. Our accounting staff will make every effort to produce financial statements that comply with generally accepted accounting principles, including training in financial statement preparation.

OFFICE OF COUNTY CLERK

FINDING 08.04 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because management was not aware of the existence of the audit log, management did not begin a regular review of the audit log until it was brought to their attention on May 8, 2008. Procedures for reviewing this log are currently in place.

OFFICE OF CLERK AND MASTER

FINDING 08.05 DELINQUENT TAX AGGREGATES WERE NOT RECONCILED (Internal Control – Significant Deficiency Under Government Auditing Standards)

The clerk and master did not reconcile the unpaid balance of each year's delinquent tax aggregate on file in Chancery Court with amounts collected and adjusted. Sound internal control procedures dictate that the clerk and master should determine, on a periodic basis, that amounts reflected as uncollected are correct. The clerk printed the various monthly reports; however, the clerk and master did not reconcile the various reports to determine if the amounts reflected as uncollected were accurate. As a result, internal controls over delinquent property tax collections were weakened.

RECOMMENDATION

To strengthen internal controls over delinquent property tax collections, the clerk and master should reconcile each year's delinquent tax aggregate on file in Chancery Court with amounts collected and adjusted.

FINDING 08.06 THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS (Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because management was not aware of the existence of the audit log, management did not begin a regular review of the audit log until it was brought to their attention on May 19, 2008. Procedures for reviewing this log are currently in place.

OTHER FINDING AND RECOMMENDATION

FINDING 08.07 A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED (Internal Control – Control Deficiency Under Government Audit Standards)

County officials had not adopted a central system of accounting and budgeting. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting and budgeting processes. The absence of a central system of accounting and budgeting has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

**HAWKINS COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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