
ANNUAL FINANCIAL REPORT HAWKINS COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
HAWKINS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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This financial report is available at www.comptroller.tn.gov

HAWKINS COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Hawkins County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Hawkins County as of and for the year ended June 30, 2013.

Results

Our report on Hawkins County's financial statements is unmodified.

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

Findings and Best Practices

The following are summaries of the audit findings and best practices:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Payroll taxes were not reported timely to the Internal Revenue Service resulting in interest and penalty assessments totaling \$166,886.
- ◆ Deficiencies were noted with payments and time sheets of bus drivers who have other full-time positions with the Hawkins County Board of Education.
- ◆ Two school board members did not disclose potential indirect conflicts of interests.

OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

- ◆ The office had deficiencies in the purchase of two used vehicles.

OFFICE OF CLERK AND MASTER

- ◆ Excess fees were not reported and paid to the county in compliance with state statute.
-

BEST PRACTICES

The Division of Local Government Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Hawkins County.

- Hawkins County should adopt a central system of accounting and budgeting.
- Hawkins County should establish an Audit Committee.

INTRODUCTORY SECTION

Hawkins County Officials

June 30, 2013

Officials

Melville Bailey, County Mayor
Lowell Bean, Road Superintendent
Charlotte Britton, Director of Schools
Patricia Courtney, Trustee
Jeff Thacker, Assessor of Property
Carroll Jenkins, County Clerk
Sarah Davis, Circuit and General Sessions Courts Clerk
Holly Jaynes, Clerk and Master
Judy Kirkpatrick, Register of Deeds
Ronnie Lawson, Sheriff

Board of County Commissioners

Melville Bailey, County Mayor, Chairman
Danny Alvis
Shane Bailey
Jeff Barrett
Dwight Carter
Fred Castle
Eugene Christian
B.D. Cradic
Glenda Davis
Charlie Freeman
Darrell Gilliam

Gary Hicks, Jr.
Linda Kimbro
Virgil Mallett
Joe McLain
John Metz
Hubert Neal
Charlie Newton
Robert Palmer
Lynn Short
Syble Vaughan Trent
Stacy Vaughan

Board of Education

Randall Collier, Chairman
Chris Christian
Kathy Cradic
Holly Helton

Bob Lakins
Debbie Shedden
Michael Williams

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hawkins County Emergency Communications District, which represent 1.5 percent, .7 percent, and 1.7 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hawkins County Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally

accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hawkins County, Tennessee, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., Hawkins County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Hawkins County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

We draw attention to Note I.D.9. to the financial statements, which describes restatements to the beginning net position of the governmental activities of the primary government for

\$1,198,780 and to beginning net position of the discretely presented Hawkins County School Department for \$664,811. The restatement to the primary government was necessary due to the implementation of GASB Statement No. 65. The restatement to the discretely presented School Department was necessary to report liabilities for a retirement honorarium program, which had not been reported in previous years.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress – pension plan and other postemployment benefits plan on pages 82-85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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 major 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 major debt service funds, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility

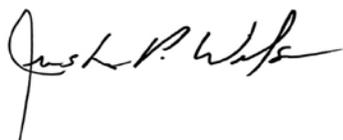
of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the major debt service funds, combining and individual fund financial statements of the Hawkins County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013, on our consideration of Hawkins County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hawkins County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 19, 2013

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hawkins County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government Governmental Activities	Component Units	
		Hawkins County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 143,792	\$ 197	\$ 264,183
Equity in Pooled Cash and Investments	25,194,670	13,987,322	0
Accounts Receivable	83,628	97,853	73,228
Due from Other Governments	1,840,770	1,469,814	0
Due from Primary Government	0	65,087	0
Due from Component Unit	9,384	0	0
Property Taxes Receivable	14,057,079	10,158,870	0
Allowance for Uncollectible Property Taxes	(534,557)	(386,318)	0
Prepaid Items	53,776	0	3,337
Unamortized Discount on Debt	30,566	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	1,134,808	1,584,332	126,314
Construction in Progress	349,412	72,969	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	16,598,130	58,907,759	497,117
Other Capital Assets	1,324,515	2,819,630	391,541
Infrastructure	37,922,885	0	0
Total Assets	<u>\$ 98,208,858</u>	<u>\$ 88,777,515</u>	<u>\$ 1,355,720</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	\$ 548,989	\$ 0	\$ 0
Total Deferred Outflows of Resources	<u>\$ 548,989</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 695,302	\$ 257,194	\$ 13,248
Accrued Payroll	0	7,723	0
Payroll Deductions Payable	80,964	2,052	20,889
Contracts Payable	27,089	38,457	0
Retainage Payable	1,211	19,774	0
Accrued Interest Payable	273,882	0	0
Due to Primary Government	0	9,384	0
Due to Component Unit	65,087	0	0
Due to State of Tennessee	7,881	0	0
Due to Litigants, Heirs, and Others	80	0	0

(Continued)

Exhibit A

Hawkins County, Tennessee
Statement of Net Position (Cont.)

	Primary Government Governmental Activities	Component Units	
		Hawkins County School Department	Emergency Communica- tions District
<u>LIABILITIES (CONT.)</u>			
Derivative - Interest Rate Swap	\$ 2,161,205	\$ 0	\$ 0
Other Current Liabilities	0	1,395,489	14,392
Noncurrent Liabilities:			
Due Within One Year	3,214,187	757,121	54,419
Due in More than One Year (net of deferred amount on refunding and unamortized premium on debt)	84,847,902	11,470,445	653,785
Total Liabilities	<u>\$ 91,374,790</u>	<u>\$ 13,957,639</u>	<u>\$ 756,733</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 13,056,642	\$ 9,435,867	\$ 0
Deferred Grants Received in Advance	0	0	114,424
Total Deferred Inflows of Resources	<u>\$ 13,056,642</u>	<u>\$ 9,435,867</u>	<u>\$ 114,424</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 42,184,200	\$ 63,384,690	\$ 306,768
Restricted for:			
General Government	92,212	0	0
Finance	14,235	0	0
Administration of Justice	627,456	0	0
Public Safety	282,915	0	0
Highways	3,613,455	0	0
Debt Service	15,124,006	0	0
Education	45,009	4,034,212	0
Capital Projects	64,118	0	0
Other Purposes	170,642	0	0
Unrestricted	(67,891,833)	(2,034,893)	177,795
Total Net Position	<u>\$ (5,673,585)</u>	<u>\$ 65,384,009</u>	<u>\$ 484,563</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, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Total	Hawkins County School Department	Emergency Communica- tions District
Primary Government:							
Governmental Activities:							
General Government	\$ 2,952,662	\$ 518,971	\$ 186,856	\$ 64,352	\$ (2,182,483)	\$ 0	\$ 0
Finance	1,344,505	1,135,084	0	0	(209,421)	0	0
Administration of Justice	1,290,645	1,194,577	0	0	(96,068)	0	0
Public Safety	6,662,606	1,744,002	238,245	21,000	(4,659,359)	0	0
Public Health and Welfare	2,196,369	85,340	394,703	50,640	(1,665,686)	0	0
Social, Cultural, and Recreational Services	430,062	6,840	36,716	0	(386,506)	0	0
Agriculture and Natural Resources	140,180	0	0	0	(140,180)	0	0
Other Operations	1,376,580	0	56,167	0	(1,320,413)	0	0
Highways	5,768,426	12,593	2,186,746	409,853	(3,159,234)	0	0
Education	1,173,086	0	0	0	(1,173,086)	0	0
Interest on Long-term Debt	3,786,864	0	0	0	(3,786,864)	0	0
Debt Service	291,604	0	0	0	(291,604)	0	0
Total Primary Government	\$ 27,413,589	\$ 4,697,407	\$ 3,099,433	\$ 545,845	\$ (19,070,904)	\$ 0	\$ 0
Component Units:							
Hawkins County School Department	\$ 68,953,959	\$ 1,586,435	\$ 7,216,392	\$ 1,167,979	\$ 0	\$ (58,983,153)	\$ 0
Emergency Communications District	785,126	451,854	579,987	0	0	0	246,715
Total Component Units	\$ 69,739,085	\$ 2,038,289	\$ 7,796,379	\$ 1,167,979	\$ 0	\$ (58,983,153)	\$ 246,715

(Continued)

Exhibit B

Hawkins County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues		Component Units			
		Charges for Services	Operating Grants and Contributions	Primary Government		Hawkins County School Department	Emergency Communica- tions District
				Capital Grants and Contributions	Total Governmental Activities		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes		\$	7,798,129	\$	8,243,706	\$	0
Property Taxes Levied for Highway/Public Works			1,416,112		0		0
Property Taxes Levied for Transportation			0		1,573,440		0
Property Taxes Levied for Debt Service			4,405,734		0		0
Local Option Sales Taxes			784,518		3,847,431		0
Wheel Tax			1,018,152		323,251		0
Litigation Tax			346,434		0		0
Business Tax			294,033		0		0
Mineral Severance Tax			55,568		0		0
Wholesale Beer Tax			90,669		0		0
Interstate Telecommunication Tax			3,085		4,232		0
Grants and Contributions Not Restricted to Specific Programs			1,814,027		39,069,738		0
Unrestricted Investment Income			108,584		4,427		8
Miscellaneous			24,966		213,723		46,975
Total General Revenues			\$ 18,160,011		\$ 53,279,948		\$ 46,983
Change in Fair Value of Derivatives - Interest Rate Swap			\$ 1,425,269		\$ 0		\$ 0
Change in Net Position			\$ 514,376		\$ (5,703,205)		\$ 293,698
Net Position, July 1, 2012			(4,989,181)		71,752,025		190,865
Prior-period Adjustment			(1,198,780)		(664,811)		0
Net Position, June 30, 2013			\$ (5,673,585)		\$ 65,384,009		\$ 484,563

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

Hawkins County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Governmental Funds		
\$	0	0	0	0	143,792	0	143,792
Cash	5,675,519	3,456,880	3,936,549	9,561,243	2,564,479	0	25,194,670
Equity in Pooled Cash and Investments	27,292	587	0	0	54,159	0	82,038
Accounts Receivable	891,147	747,544	0	0	202,079	0	1,840,770
Due from Other Governments	34,717	208	0	0	0	0	34,925
Due from Component Units	9,384	0	0	0	0	0	9,384
Property Taxes Receivable	8,032,616	1,465,410	868,391	3,690,662	0	0	14,057,079
Allowance for Uncollectible Property Taxes	(305,461)	(65,726)	(33,023)	(140,347)	0	0	(534,557)
Prepaid Items	0	0	0	53,776	0	0	53,776
Total Assets	\$ 14,365,214	\$ 5,614,903	\$ 4,771,917	\$ 13,165,334	\$ 2,964,509	\$ 0	\$ 40,881,877

ASSETS

Cash	0	0	0	0	143,792	0	143,792
Equity in Pooled Cash and Investments	5,675,519	3,456,880	3,936,549	9,561,243	2,564,479	0	25,194,670
Accounts Receivable	27,292	587	0	0	54,159	0	82,038
Due from Other Governments	891,147	747,544	0	0	202,079	0	1,840,770
Due from Component Units	34,717	208	0	0	0	0	34,925
Due from Component Units	9,384	0	0	0	0	0	9,384
Property Taxes Receivable	8,032,616	1,465,410	868,391	3,690,662	0	0	14,057,079
Allowance for Uncollectible Property Taxes	(305,461)	(65,726)	(33,023)	(140,347)	0	0	(534,557)
Prepaid Items	0	0	0	53,776	0	0	53,776

Total Assets

LIABILITIES

Accounts Payable	55,190	575,818	0	0	64,294	0	695,302
Payroll Deductions Payable	80,964	0	0	0	0	0	80,964
Contracts Payable	27,089	0	0	0	0	0	27,089
Retainage Payable	1,211	0	0	0	0	0	1,211
Due to Other Funds	208	0	0	0	33,127	0	33,335
Due to Component Units	18,053	0	0	0	47,034	0	65,087
Due to State of Tennessee	7,881	0	0	0	0	0	7,881
Due to Litigants, Heirs, and Others	0	0	0	0	80	0	80
Total Liabilities	\$ 190,596	\$ 575,818	\$ 0	\$ 0	\$ 144,535	\$ 0	\$ 910,949

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	7,460,938	1,361,117	806,588	3,427,999	0	0	13,056,642
Deferred Delinquent Property Taxes	231,505	42,234	25,027	106,367	0	0	405,133
Other Deferred/Unavailable Revenue	208,961	179,917	0	0	104,344	0	493,222
Total Deferred Inflows of Resources	\$ 7,901,404	\$ 1,583,268	\$ 831,615	\$ 3,534,366	\$ 104,344	\$ 0	\$ 13,954,997

FUND BALANCES

Nonspendable:	0	0	0	0	0	0	0
Prepaid Items	0	0	0	53,776	0	0	53,776
Restricted:							
Restricted for General Government	92,212	0	0	0	0	0	92,212
Restricted for Finance	14,235	0	0	0	0	0	14,235
Restricted for Administration of Justice	585,215	0	0	0	42,241	0	627,456

(Continued)

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	Other			
					Governmental Funds	Governmental Funds		
FUND BALANCES (Cont.)								
Restricted (Cont.):								
Restricted for Public Safety	\$ 18,967	\$ 0	\$ 0	\$ 0	\$ 263,948	\$ 0	\$ 282,915	
Restricted for Other Operations	170,642	0	0	0	0	0	170,642	
Restricted for Highways/Public Works	0	3,455,817	0	0	0	0	3,455,817	
Restricted for Debt Service	0	0	3,940,302	9,577,192	1,695,224	0	15,212,718	
Restricted for Capital Projects	0	0	0	0	109,127	0	109,127	
Committed:								
Committed for General Government	6,633	0	0	0	0	0	6,633	
Committed for Finance	29,036	0	0	0	0	0	29,036	
Committed for Public Health and Welfare	0	0	0	0	605,090	0	605,090	
Committed for Other Purposes	23,321	0	0	0	0	0	23,321	
Assigned:								
Assigned for General Government	2,180,905	0	0	0	0	0	2,180,905	
Assigned for Finance	19,447	0	0	0	0	0	19,447	
Assigned for Administration of Justice	5,044	0	0	0	0	0	5,044	
Assigned for Public Safety	746,853	0	0	0	0	0	746,853	
Assigned for Public Health and Welfare	5,900	0	0	0	0	0	5,900	
Assigned for Social, Cultural, and Recreational Services	1,570	0	0	0	0	0	1,570	
Assigned for Agriculture and Natural Resources	5,207	0	0	0	0	0	5,207	
Assigned for Other Operations	559	0	0	0	0	0	559	
Unassigned	2,367,468	0	0	0	0	0	2,367,468	
Total Fund Balances	\$ 6,273,214	\$ 3,455,817	\$ 3,940,302	\$ 9,630,968	\$ 2,715,630	\$ 0	\$ 26,015,931	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,365,214	\$ 5,614,903	\$ 4,771,917	\$ 13,165,334	\$ 2,964,509	\$ 0	\$ 40,881,877	

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

Exhibit C-2

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	26,015,931
(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		349,412	
Add: infrastructure net of accumulated depreciation		37,922,885	
Add: buildings and improvements net of accumulated depreciation		16,598,130	
Add: other capital assets net of accumulated depreciation		<u>1,324,515</u>	57,329,750
(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	\$	(1,133,061)	
Less: other loans payable		(46,253,357)	
Less: capital leases payable		(307,154)	
Less: bonds payable		(36,235,000)	
Add: deferred amount on refunding		548,989	
Add: unamortized discount on debt		30,566	
Less: compensated absences payable		(503,995)	
Less: other deferred revenue - premium on debt		(440,909)	
Less: accrued interest on bonds, notes, and other loans payable		(273,882)	
Less: other postemployment benefits liability		(3,188,613)	
Less: negative fair market value of interest rate swap		<u>(2,161,205)</u>	(89,917,621)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>898,355</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(5,673,585)</u></u>

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

Hawkins County, Tennessee
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General		Education Debt Service	Governmental Funds	
			Debt Service	Other			
Revenues							
Local Taxes	\$ 8,527,206	\$ 1,482,638	\$ 956,099	\$ 3,933,560	\$ 1,423,501	\$ 16,323,004	
Licenses and Permits	2,533	0	0	0	117,823	120,356	
Fines, Forfeitures, and Penalties	243,116	0	0	0	105,748	348,864	
Charges for Current Services	169,113	2,317	0	0	164,339	335,769	
Other Local Revenues	191,432	31,299	25,032	82,864	84,275	414,902	
Fees Received from County Officials	2,045,879	0	0	0	0	2,045,879	
State of Tennessee	2,320,385	2,555,599	0	0	101,582	4,977,566	
Federal Government	319,097	0	7,255	373,046	42,924	742,322	
Other Governments and Citizens Groups	205,308	0	0	922,548	5,000	1,132,856	
Total Revenues	\$ 14,024,069	\$ 4,071,853	\$ 988,386	\$ 5,312,018	\$ 2,045,192	\$ 26,441,518	
Expenditures							
Current:							
General Government	\$ 2,255,833	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,255,833	
Finance	1,345,109	0	0	0	0	1,345,109	
Administration of Justice	1,110,591	0	0	0	174,131	1,284,722	
Public Safety	6,213,567	0	0	0	107,740	6,321,307	
Public Health and Welfare	746,824	0	0	0	1,327,266	2,074,090	
Social, Cultural, and Recreational Services	450,518	0	0	0	0	450,518	
Agriculture and Natural Resources	140,094	0	0	0	0	140,094	
Other Operations	735,572	0	0	0	0	735,572	
Highways	56,846	3,592,893	0	0	0	3,649,739	
Debt Service:							
Principal on Debt	9,760	440	386,088	2,155,791	140,000	2,692,079	
Interest on Debt	783	34	665,405	2,924,319	96,190	3,686,731	
Other Debt Service	23	0	18,885	320,305	4,314	343,527	
Capital Projects	303,677	13,677	0	0	2,010,186	2,327,540	
Total Expenditures	\$ 13,369,197	\$ 3,607,044	\$ 1,070,378	\$ 5,400,415	\$ 3,859,827	\$ 27,306,861	
Excess (Deficiency) of Revenues Over Expenditures	\$ 654,872	\$ 464,809	\$ (81,992)	\$ (88,397)	\$ (1,814,635)	\$ (865,343)	
Other Financing Sources (Uses)							
Capital Leases Issued	\$ 303,676	\$ 13,678	\$ 0	\$ 0	\$ 0	\$ 317,354	
Insurance Recovery	12,343	5,201	0	0	0	17,544	
Transfers In	0	0	0	113,048	0	113,048	
Transfers Out	(113,048)	0	0	0	0	(113,048)	
Total Other Financing Sources (Uses)	\$ 202,971	\$ 18,879	\$ 0	\$ 113,048	\$ 0	\$ 334,898	
Net Change in Fund Balances	\$ 857,843	\$ 483,688	\$ (81,992)	\$ 24,651	\$ (1,814,635)	\$ (530,445)	
Fund Balance, July 1, 2012	5,415,371	2,972,129	4,022,294	9,606,317	4,530,265	26,546,376	
Fund Balance, June 30, 2013	\$ 6,273,214	\$ 3,455,817	\$ 3,940,302	\$ 9,630,968	\$ 2,715,630	\$ 26,015,931	

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, 2013

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)		\$	(530,445)
(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	\$	568,587	
Less: current-year depreciation expense		<u>(2,172,419)</u>	(1,603,832)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.			
Add: assets donated and capitalized			50,500
(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, 2013	\$	898,355	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(887,677)</u>	10,678
(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 position. Also, governmental funds report the effect of 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: capital lease proceeds	\$	(317,354)	
Less: change in discount on debt		(5,107)	
Add: principal payments on bonds		1,400,000	
Add: principal payments on other loans		1,142,791	
Add: principal payments on notes		139,088	
Add: principal payments on capital leases		10,200	
Add: change in premium on debt issuances		51,923	
Less: change in deferred amount on refunding debt		(105,628)	
Add: change in fair value of derivatives - interest rate swap		<u>1,425,269</u>	3,741,182
(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	\$	5,495	
Change in compensated absences payable		(2,625)	
Change in other postemployment benefits liability		<u>(469,428)</u>	(466,558)
(6) Discretely presented component unit debt obligation assumed by county government.			<u>(687,149)</u>
Change in net position of governmental activities (Exhibit B)		\$	<u>514,376</u>

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

Exhibit C-5

Hawkins County, Tennessee
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 8,527,206	\$ 0	\$ 0	\$ 8,527,206	\$ 8,211,887	\$ 8,211,887	\$ 315,319
Licenses and Permits	2,533	0	0	2,533	3,700	3,700	(1,167)
Fines, Forfeitures, and Penalties	243,116	0	0	243,116	184,440	185,613	57,503
Charges for Current Services	169,113	0	0	169,113	101,000	101,000	68,113
Other Local Revenues	191,432	0	0	191,432	18,000	18,205	173,227
Fees Received from County Officials	2,045,879	0	0	2,045,879	2,028,000	2,028,000	17,879
State of Tennessee	2,320,385	0	0	2,320,385	1,545,538	1,844,921	475,464
Federal Government	319,097	0	0	319,097	637,134	1,602,734	(1,283,637)
Other Governments and Citizens Groups	205,308	0	0	205,308	200,724	205,224	84
Total Revenues	\$ 14,024,069	\$ 0	\$ 0	\$ 14,024,069	\$ 12,930,423	\$ 14,201,284	\$ (177,215)
Expenditures							
General Government							
County Commission	\$ 81,738	\$ 0	\$ 0	\$ 81,738	\$ 93,147	\$ 93,147	\$ 11,409
Board of Equalization	4,975	0	0	4,975	5,657	6,153	1,178
Beer Board	898	0	0	898	2,477	2,477	1,579
Budget and Finance Committee	6,401	0	0	6,401	8,362	7,866	1,465
County Mayor/Executive	367,888	(5,566)	9,260	371,582	391,243	391,243	19,661
County Attorney	39,014	0	0	39,014	39,493	39,493	479
Election Commission	393,229	(3,746)	5,000	394,483	428,152	437,017	42,534
Register of Deeds	249,521	(1,418)	1,293	249,396	245,129	254,429	5,033
Planning	14,672	0	0	14,672	15,575	15,575	903
County Buildings	586,056	(4,173)	183,529	765,412	1,104,426	1,071,668	306,256
Other General Administration	510,565	(17,124)	6,282	499,723	562,955	562,470	62,747
Preservation of Records	876	0	0	876	850	900	24
Finance							
Property Assessor's Office	358,348	(2,390)	0	355,958	377,457	378,257	22,299
Reappraisal Program	128,174	0	0	128,174	132,956	132,156	3,982
County Trustee's Office	249,485	(8,700)	8,928	249,713	257,386	263,656	13,943

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Expenditures (Cont.)							
Finance (Cont.)							
County Clerk's Office	\$ 609,102	\$ (14,164)	\$ 10,519	\$ 605,457	\$ 627,954	\$ 632,277	\$ 26,820
Administration of Justice							
Circuit Court Clerk	479,349	(179)	94	479,264	505,616	507,772	28,508
Criminal Court	9,261	0	0	9,261	13,000	13,000	3,739
General Sessions Court	282,564	(718)	0	281,846	289,207	294,890	13,044
Chancery Court	89,559	0	0	89,559	98,100	99,100	9,541
Juvenile Court	147,346	0	0	147,346	151,336	148,236	890
Courtroom Security	102,512	0	4,950	107,462	137,847	138,027	30,565
Public Safety							
Sheriff's Department	2,841,598	(15,798)	643,177	3,468,977	3,528,361	3,542,069	73,092
Drug Enforcement	638	0	0	638	7,707	7,707	7,069
Administration of the Sexual Offender Registry	2,094	(1,122)	300	1,272	5,500	5,500	4,228
Jail	2,310,585	(33,564)	76,163	2,353,184	2,289,351	2,463,872	110,688
Juvenile Services	189,326	(9,548)	7,837	187,615	184,944	198,044	10,429
Fire Prevention and Control	233,000	0	0	233,000	219,485	237,485	4,485
Rescue Squad	100,000	0	0	100,000	100,000	100,000	0
Disaster Relief	5,918	0	0	5,918	1,000	10,500	4,582
Other Emergency Management	365,016	(1,810)	26,217	389,423	402,726	406,332	16,909
County Coroner/Medical Examiner	121,402	(13,314)	0	108,088	111,958	111,958	3,870
Other Public Safety	43,990	0	0	43,990	67,334	67,334	23,344
Public Health and Welfare							
Local Health Center	310,111	(4,883)	5,900	311,128	328,134	328,134	17,006
Ambulance/Emergency Medical Services	60,000	0	0	60,000	60,000	60,000	0
Other Local Health Services	370,552	0	0	370,552	467,900	467,900	97,348
Aid to Dependent Children	6,161	0	0	6,161	6,500	6,500	339
Social, Cultural, and Recreational Services							
Adult Activities	2,000	0	0	2,000	2,000	2,000	0
Senior Citizens Assistance	202,995	(2,833)	1,534	201,696	207,484	207,484	5,788

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Expenditures (Cont.)							
Social, Cultural, and Recreational Services (Cont.)							
Libraries	\$ 99,000	\$ 0	0	\$ 99,000	\$ 99,000	\$ 0	0
Parks and Fair Boards	146,523	(1,842)	36	144,717	151,054	151,259	6,542
Agriculture and Natural Resources							
Agriculture Extension Service	77,567	(174)	207	77,600	87,341	87,341	9,741
Forest Service	1,500	0	0	1,500	1,500	1,500	0
Soil Conservation	49,547	0	0	49,547	55,204	55,204	5,657
Flood Control	0	0	0	0	4,000	4,000	4,000
Storm Water Management	11,480	(33)	5,000	16,447	46,820	46,820	30,373
Other Operations							
Tourism	1,500	0	0	1,500	1,500	1,500	0
Industrial Development	236,423	(719)	559	236,263	264,423	264,673	28,410
Airport	119,149	(10,000)	170,642	279,791	323,100	1,288,700	1,008,909
Veterans' Services	75,734	(62)	0	75,672	77,698	77,698	2,026
Contributions to Other Agencies	27,500	0	0	27,500	27,500	27,500	0
Employee Benefits	60,205	0	0	60,205	158,900	140,700	80,495
Miscellaneous	215,061	(1,800)	0	213,261	275,941	270,941	57,680
Highways							
Litter and Trash Collection	56,846	0	0	56,846	58,747	58,747	1,901
Principal on Debt							
General Government	9,760	0	0	9,760	61,500	61,500	51,740
Interest on Debt							
General Government	783	0	0	783	10,600	10,600	9,817
Other Debt Service							
General Government	23	0	0	23	100	100	77
Capital Projects							
General Administration Projects	303,677	0	0	303,677	0	303,677	0
Total Expenditures	\$ 13,369,197	\$ (155,680)	\$ 1,167,427	\$ 14,380,944	\$ 15,183,637	\$ 16,664,088	\$ 2,283,144

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 654,872	\$ 155,680	\$ (1,167,427)	\$ (356,875)	\$ (2,253,214)	\$ (2,462,804)	\$ 2,105,929
Other Financing Sources (Uses)							
Capital Leases Issued	\$ 303,676	\$ 0	\$ 0	\$ 303,676	\$ 0	\$ 303,676	\$ 0
Insurance Recovery	12,343	0	0	12,343	25,651	37,994	(25,651)
Transfers Out	(113,048)	0	0	(113,048)	(113,104)	(113,104)	56
Total Other Financing Sources	\$ 202,971	\$ 0	\$ 0	\$ 202,971	\$ (87,453)	\$ 228,566	\$ (25,595)
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 857,843	\$ 155,680	\$ (1,167,427)	\$ (153,904)	\$ (2,340,667)	\$ (2,234,238)	\$ 2,080,334
Fund Balance, June 30, 2013	\$ 5,415,371	(155,680)	0	5,259,691	5,045,502	5,045,502	214,189
	\$ 6,273,214	\$ 0	\$ (1,167,427)	\$ 5,105,787	\$ 2,704,835	\$ 2,811,264	\$ 2,294,523

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

Exhibit C-6

Hawkins County, Tennessee
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 1,482,638	\$ 0	\$ 0	\$ 1,482,638	\$ 1,432,848	\$ 1,432,848	\$ 49,790
Charges for Current Services	2,317	0	0	2,317	2,800	2,800	(483)
Other Local Revenues	31,299	0	0	31,299	0	0	31,299
State of Tennessee	2,555,599	0	0	2,555,599	3,352,646	3,567,646	(1,012,047)
Total Revenues	\$ 4,071,853	\$ 0	\$ 0	\$ 4,071,853	\$ 4,788,294	\$ 5,003,294	\$ (931,441)
Expenditures							
<u>Highways</u>							
Administration	\$ 165,808	\$ 0	\$ 31	\$ 165,839	\$ 185,379	\$ 185,379	\$ 19,540
Highway and Bridge Maintenance	1,911,174	0	0	1,911,174	2,908,500	2,908,500	997,326
Operation and Maintenance of Equipment	457,719	(638)	2,529	459,610	793,100	793,100	333,490
Other Charges	140,919	0	0	140,919	163,500	163,500	22,581
Employee Benefits	282,081	0	0	282,081	362,450	362,450	80,369
Capital Outlay	635,192	0	16,537	651,729	1,969,989	2,269,515	1,617,786
Principal on Debt							
Highways and Streets	440	0	0	440	0	440	0
Interest on Debt							
Highways and Streets	34	0	0	34	0	34	0
Capital Projects							
Public Safety Projects	13,677	0	0	13,677	0	13,678	1
Total Expenditures	\$ 3,607,044	\$ (638)	\$ 19,097	\$ 3,625,503	\$ 6,382,918	\$ 6,696,596	\$ 3,071,093
Excess (Deficiency) of Revenues Over Expenditures	\$ 464,809	\$ 638	\$ (19,097)	\$ 446,350	\$ (1,594,624)	\$ (1,693,302)	\$ 2,139,652
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 13,678	\$ 0	\$ 0	\$ 13,678	\$ 0	\$ 13,678	\$ 0
Insurance Recovery	5,201	0	0	5,201	0	0	5,201
Total Other Financing Sources	\$ 18,879	\$ 0	\$ 0	\$ 18,879	\$ 0	\$ 13,678	\$ 5,201
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 483,688	\$ 638	\$ (19,097)	\$ 465,229	\$ (1,594,624)	\$ (1,679,624)	\$ 2,144,853
Fund Balance, June 30, 2013	\$ 3,455,817	\$ 0	\$ (19,097)	\$ 3,436,720	\$ 1,368,824	\$ 1,283,824	\$ 2,152,896

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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,386,312
Equity in Pooled Cash and Investments	61,362
Accounts Receivable	66
Due from Other Governments	714,060
Taxes Receivable	1,238,759
Allowance for Uncollectible Taxes	<u>(47,107)</u>
Total Assets	<u>\$ 3,353,452</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,590
Due to Other Taxing Units	1,967,074
Due to Litigants, Heirs, and Others	<u>1,384,788</u>
Total Liabilities	<u>\$ 3,353,452</u>

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

HAWKINS COUNTY, TENNESSEE
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HAWKINS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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.

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 Hawkins County Industrial Development Board oversees industrial development and related services in the county industrial parks. The Hawkins County Industrial Development Board nominates, and the Hawkins County Commission confirms the board members. The Industrial Development Board was reported as a related organization of Hawkins County in prior years; however, in the current year the county agreed to assume the liability for a note

issued by the Industrial Development Board. Due to this financial burden relationship, the board is now reported as a discretely presented component unit. Audited financial statements of the Hawkins County Industrial Development Board were not available in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

The Hawkins County Library System operates public libraries in Hawkins County, and the County Commission appoints its governing body. The Library System is funded primarily through contributions from Hawkins County and other cities within the county. In prior years, the Library System was considered a joint venture between Hawkins County the cities of Rogersville, Church Hill, and Surgoinsville. Due to the library system's board appointment by the County Commission, the library system is now reported as a discretely presented component unit. The financial statements of the Hawkins County Library System were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

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 Industrial Development Board, and the Hawkins County Library System were not available in time for inclusion, as previously mentioned. Complete financial statements for the Hawkins County Emergency Communications District, Hawkins County Industrial Development Board, and Hawkins County Library System can be obtained from their administrative office at the following addresses:

Administrative Offices:

Hawkins County Emergency
Communications District
2291 East Main Street
Rogersville, TN 37857

Hawkins County Industrial
Development Board
107 East Main Street, Suite 221
Rogersville, TN 37857

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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. During the year, Hawkins County contributed \$1,167,979 of previously issued Qualified School Construction Bond loan proceeds to the School Department.

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, deferred outflow of resources, liabilities, deferred inflow of resources, 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 special revenue fund accounts for transactions of the county's Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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.

Additionally, Hawkins County reports the following fund types:

Capital Projects Funds – These funds are used to account for the acquisition or construction of major capital facilities and other capital assets.

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 special revenue fund is used to account for transportation operations of the School Department. Local taxes and the state Basic Education Program are the foundational revenues of this fund.

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

Capital Projects Funds – These funds are used to account for building construction and renovations of the School Department.

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 position as Equity in Pooled Cash and Investments. Most 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 2.01 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources 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 as a deferred inflow of resources 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. The Other Current Liabilities account reflected in the discretely presented School Department's General Purpose School Fund represents remaining balances in the teacher's insurance account.

Retainage payable 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more 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, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	7 - 30
Vehicles and Other Capital Assets	5 - 12
Infrastructure:	
Roads	20 - 50
Bridges	40

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, as well as, other receivables for revenues, which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

Primary Government

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation leave and an unlimited amount of 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.

Discretely Presented School Department

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.

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.

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.

7. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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, other postemployment benefits, and special termination benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2013, Hawkins County had \$68,885,357 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 position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and the unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the primary government's General Fund includes encumbrances of \$989,944, fund balance assigned for building improvements of \$60,000, employee vacation pay of \$25,000, unclaimed property refunds of \$159,617, and fund balance appropriated for use in the 2013-14 year budget totaling \$1,730,924. Assigned fund balance in the School Department's General Purpose School Fund includes encumbrances of \$81,256, fund balance assigned for soccer programs of \$12,668, and fund balance appropriated for use in the 2013-14 budget totaling \$2,109,759.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

9. Restatements

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$1,198,780 has been

recognized for accumulated debt issuance costs on the government-wide financial statements.

Prior to July 1, 2012, the School Department established a retirement honorarium to pay teachers who retire with ten years of service or more \$100 a year for each year of service up to 20 years. An adjustment to beginning net position totaling \$664,811 has been recognized for accumulated amounts previously not recognized on the government-wide financial statements.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Budget and Finance Committee, County Mayor, 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.

At June 30, 2013, Hawkins County and the Hawkins County School Department reported the following significant encumbrances:

Fund	Description	Amount
Primary Government:		
General	Police Cars	\$ 639,069
School Department:		
School Transportation	Buses	402,925

B. Fund Deficit

The Other Capital Projects - QSCB Fund of the discretely presented School Department had a negative unassigned fund balance of \$9,994 as of June 30, 2013. This deficit resulted from the recognition of liabilities for contracts and retainage payable. This deficit is expected to be liquidated by debt proceeds provided by the primary government.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) of the following School Department funds:

Fund/Major Appropriation Category	Amount Overspent
General Purpose School:	
Support Services - Board of Education	\$ 104,947
Support Services - Transportation	2,007
Operation of Non-Instruction Services - Food Service	2,333
Other Financing Uses - Transfers Out	1,992
School Transportation:	
Other Debt Service - Education	542

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

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 position as Equity in Pooled Cash and Investments. Cash reflected on the

balance sheets and statements of net position 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2013, Hawkins County had the following investments carried at fair value. 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	Weighted Average Maturity (days)	Maturities	Fair Value
State Treasurer's Investment Pool	11 to 138	N/A	\$ 18,170,083

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, 2013, Hawkins County's investment in the State Treasurer's Investment Pool was unrated.

B. Derivative Instrument

At June 30, 2013, Hawkins County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$16M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 16,000,000	12-1-09	6-1-29	Pay 3.5325% receive 58.75% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2013, classified by type, and the changes in fair value of such a derivative instrument for the year then ended as reported in the 2013 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2013</u>		Notional Amount
	Classification	Amount	Classification	Amount	
Governmental Activities					
Investment Derivative:					
Pay fixed interest rate swaps:					
\$16M Swap	Interest and Investment Earnings	\$ 1,425,269	Debt	\$ (2,161,205)	\$16,000,000
Total		<u>\$ 1,425,269</u>		<u>\$ (2,161,205)</u>	<u>\$16,000,000</u>

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The swap agreement described above did not meet that criteria and therefore is classified as an investment derivative.

Derivative Swap Agreement Detail

\$16M Swap

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series 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. The Series V-B-1 bonds have since been refunded with a portion of the proceeds of the Series VII-A-1 bonds and the interest rate swap is now associated with the Series VII-A-1 bonds.

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. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VII-A-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2029. As of June 30, 2013, rates were as follows:

	<u>Terms</u>	<u>Rate</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.5325 %
Variable payment from counterparty	% of LIBOR	<u>-0.9341</u>
Net interest rate swap payments		2.5984 %
Variable-rate bond coupon payments		<u>0.6925</u>
Synthetic interest rate on bonds		<u><u>3.2909 %</u></u>

Fair value. As of June 30, 2013, the swap had a negative fair value of \$2,161,205. 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, 2013, the county was not exposed to credit risk because the swap had a negative fair value. However, should 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, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard and Poor's, and Fitch, respectively.

Basis risk. As noted above, the swap exposes the county to basis risk should BMA increase 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 would 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, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As

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

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap		Total
	Principal	Interest	Payment		
2014	\$ 0	\$ 110,800	\$ 415,740	\$ 526,540	
2015	0	110,800	415,740	526,540	
2016	0	110,800	415,740	526,540	
2017	0	110,800	415,740	526,540	
2018	0	110,800	415,740	526,540	
2019-2023	5,475,000	499,466	1,874,078	7,848,544	
2024-2028	8,550,000	251,724	944,509	9,746,233	
2029	1,975,000	13,677	51,318	2,039,995	
Total	\$ 16,000,000	\$ 1,318,867	\$ 4,948,605	\$ 22,267,472	

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 1,134,808	\$ 0	\$ 1,134,808
Construction in Progress	5,000	344,412	349,412
Total Capital Assets Not Depreciated	\$ 1,139,808	\$ 344,412	\$ 1,484,220
Capital Assets Depreciated:			
Buildings and Improvements	\$ 20,673,296	\$ 72,473	\$ 20,745,769
Infrastructure	55,407,428	0	55,407,428
Other Capital Assets	6,754,604	202,202	6,956,806
Total Capital Assets Depreciated	\$ 82,835,328	\$ 274,675	\$ 83,110,003

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Balance 6-30-13
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 3,620,218	\$ 527,421	\$ 4,147,639
Infrastructure	16,113,735	1,370,808	17,484,543
Other Capital Assets	5,358,101	274,190	5,632,291
Total Accumulated Depreciation	<u>\$ 25,092,054</u>	<u>\$ 2,172,419</u>	<u>\$ 27,264,473</u>
Total Capital Assets Depreciated, Net	<u>\$ 57,743,274</u>	<u>\$ (1,897,744)</u>	<u>\$ 55,845,530</u>
Governmental Activities Capital Assets, Net	<u>\$ 58,883,082</u>	<u>\$ (1,553,332)</u>	<u>\$ 57,329,750</u>

There were no decreases in capital assets to report from the year ended June 30, 2013.

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

Governmental Activities:

General Government	\$ 169,496
Finance	5,285
Administration of Justice	9,373
Public Safety	407,798
Public Health and Welfare	125,618
Social, Cultural, and Recreational Services	8,640
Other Operations	16,838
Highway/Public Works	<u>1,429,371</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,172,419</u>

Discretely Presented Hawkins County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,584,332	\$ 0	\$ 0	\$ 1,584,332
Construction in Progress	1,656,531	72,969	1,656,531	72,969
Total Capital Assets Not Depreciated	\$ 3,240,863	\$ 72,969	\$ 1,656,531	\$ 1,657,301
Capital Assets Depreciated:				
Buildings and Improvements	\$ 92,470,012	\$ 2,405,307	\$ 0	\$ 94,875,319
Other Capital Assets	7,182,756	185,803	256,702	7,111,857
Total Capital Assets Depreciated	\$ 99,652,768	\$ 2,591,110	\$ 256,702	\$ 101,987,176
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 32,862,262	\$ 3,105,298	\$ 0	\$ 35,967,560
Other Capital Assets	3,996,645	544,582	249,000	4,292,227
Total Accumulated Depreciation	\$ 36,858,907	\$ 3,649,880	\$ 249,000	\$ 40,259,787
Total Capital Assets Depreciated, Net	\$ 62,793,861	\$ (1,058,770)	\$ 7,702	\$ 61,727,389
Governmental Activities Capital Assets, Net	\$ 66,034,724	\$ (985,801)	\$ 1,664,233	\$ 63,384,690

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

Governmental Activities:

Instruction	\$ 3,072,012
Support Services	518,430
Operation of Non-Instructional Services	<u>59,438</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,649,880</u>

D. Construction Commitments

At June 30, 2013, the Hawkins County General Fund had uncompleted contracts of approximately \$407,368 for renovations and construction

projects. The Highway/Public Works Fund had \$16,537 in uncompleted contracts for bridge construction. Funding for the future expenditures of the General Fund projects is expected to be provided from federal grants (\$170,642) and fund balance (\$236,726). Funding for the future expenditures of the Highway/Public Works Fund project is expected to be received from state grants.

The discretely presented School Department's Other Capital Projects - QSCB Fund had uncompleted construction contracts of \$42,663 for renovations and construction projects. Funding for these future expenditures is being provided by debt proceeds contributed by the primary government.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 33,127
"	Agency	1,590
Highway/Public Works	General	208
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	146,591
School Transportation	General Purpose School	637,827
Nonmajor governmental	"	709

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Component Unit: School Department: General Purpose School	\$ 9,384
Component Unit:		
School Department:	Primary Government:	
School Transportation	General	18,053
"	Nonmajor governmental	6,840
Nonmajor governmental	"	40,194

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In Education Debt Service Fund
General Fund	\$ 113,048

Discretely Presented Hawkins County School Department

Transfers Out	Transfers In		
	General Purpose School Fund	School Trans- poration Fund	Nonmajor Govern- mental Fund
General Purpose School Fund	\$ 0	\$ 637,827	\$ 272,393
Nonmajor governmental funds	16,604	0	0
	\$ 16,604	\$ 637,827	\$ 272,393

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.

F. Capital Lease

On April 10, 2013, Hawkins County entered into a five-year lease-purchase agreement for communications equipment. The terms of the agreement require total lease payments of \$317,354 plus interest of 1.5 percent. Title to the communications equipment transfers to Hawkins County at the end of the lease period. The General and Highway/Public Works funds are making the lease payments.

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 317,354
Less: Accumulated Depreciation	<u>0</u>
Total Book Value	<u><u>\$ 317,354</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2014	\$ 65,920
2015	65,921
2016	65,920
2017	65,920
2018	<u>54,934</u>
Total Minimum Lease Payments	\$ 318,615
Less: Amount Representing Interest	<u>(11,461)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 307,154</u></u>

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, Other Loans, and Industrial Board Debt Assumed

Hawkins County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds and other loans have been issued to refund other loans and bonds. 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 29 years for bonds, up to seven 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, 2013, will be retired from the General Debt Service, Special Debt Service, or Education Debt Service funds.

General obligation bonds, capital outlay notes, capital leases, and other loans outstanding as of June 30, 2013 (including debt assumed from the Hawkins County Industrial Development Board), for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds -				
Refunding	2 to 3 %	5-1-19	\$ 7,380,000	\$ 6,365,000
General Obligation Bonds	1 to 6.25	6-1-38	31,410,000	29,870,000
Capital Outlay Notes	variable	6-1-16	743,000	462,000
Other Loans - Public Building Authorities	*	6-1-36	43,895,000	40,785,000
Other Loans - Qualified School Construction Bonds	0 to 1.515	9-15-27	4,973,000	4,239,371
Other Loans - Energy Efficient Schools Initiative	0	2-1-22	1,507,550	1,228,986
Capital Lease	1.5	4-10-18	317,354	307,154
Industrial Board Debt Assumed	2.491	1-16-15	687,149	671,061

(*) Interest rates for the Public Building Authority loans are presented in the following table.

During the year, the County Commission voted to assume payments on debt issued by the Hawkins County Industrial Development Board. The debt consisted of a bank loan with a balance of \$687,149 at the time the county assumed responsibility for payments. Proceeds of the debt were used by the board to construct an industrial speculative building. The county is to be reimbursed for debt payments it makes when the building is sold. The loan matures January 16, 2015. The county had previously reported a contingent liability for this loan.

General obligation bonds reflected above include \$20,995,000 of outstanding Build America Bonds, a federal program through which the county expects to receive future credits for a portion of the interest charges on the bonds.

The following table presents outstanding loan agreements with public building authorities. In addition to interest, the county pays various other fees (trustee, letter of credit, debt remarketing, etc.) in connection with the variable rate loan.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-13	Interest Type	Interest Rate as of 6-30-13	Other Fees on Variable Rate Debt
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Sevier County Public
Building Authority

Series VII-A-1	\$ 16,150,000	\$ 16,150,000	Variable (1)	0.69 %	0.815 %
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Blount County Public
Building Authority

Series B-15-A	27,745,000	24,635,000	Fixed	3 to 5	N/A
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(1) An interest rate swap agreement is associated with this loan. See Note IV.B., Derivative Instrument, for details of that swap agreement.

The annual requirements to amortize all general obligation bonds, notes, other loans, and debt assumed from the Industrial Development Board, outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,445,000	\$ 1,760,440	\$ 3,205,440
2015	1,505,000	1,715,470	3,220,470
2016	1,565,000	1,667,815	3,232,815
2017	1,800,000	1,617,440	3,417,440
2018	1,865,000	1,558,565	3,423,565
2019-2023	4,945,000	7,033,988	11,978,988
2024-2028	2,725,000	6,291,308	9,016,308
2029-2033	6,110,000	5,586,677	11,696,677
2034-2038	14,275,000	2,953,362	17,228,362
Total	\$ 36,235,000	\$ 30,185,065	\$ 66,420,065

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 171,664	\$ 27,821	\$ 199,485
2015	776,397	17,282	793,679
2016	185,000	4,532	189,532
Total	\$ 1,133,061	\$ 49,635	\$ 1,182,696

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 1,157,791	\$ 1,416,604	\$ 131,571	\$ 2,705,966
2015	1,167,791	1,393,329	131,571	2,692,691
2016	1,152,792	1,369,704	131,571	2,654,067
2017	982,791	1,343,304	131,571	2,457,666
2018	1,002,792	1,323,704	131,571	2,458,067
2019-2023	10,213,104	6,197,447	592,966	17,003,517
2024-2028	13,361,296	5,045,179	298,581	18,705,056
2029-2033	11,495,000	2,852,500	16,212	14,363,712
2034-2036	5,720,000	546,013	0	6,266,013
Total	\$ 46,253,357	\$ 21,487,784	\$ 1,565,614	\$ 69,306,755

There is \$15,266,494 available in the debt service funds to service long-term debt. Debt per capita, including bonds, notes, other loans, capital leases, and the industrial board debt assumed, totaled \$1,477, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2012	\$ 37,635,000	\$ 585,000	\$ 47,396,148
Additions	0	687,149	0
Reductions	(1,400,000)	(139,088)	(1,142,791)
Balance, June 30, 2013	<u>\$ 36,235,000</u>	<u>\$ 1,133,061</u>	<u>\$ 46,253,357</u>
Balance Due Within One Year	<u>\$ 1,445,000</u>	<u>\$ 171,664</u>	<u>\$ 1,157,791</u>

	Capital Leases	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 0	\$ 501,370	\$ 2,719,185
Additions	317,354	591,641	551,313
Reductions	(10,200)	(589,016)	(81,885)
Balance, June 30, 2013	<u>\$ 307,154</u>	<u>\$ 503,995</u>	<u>\$ 3,188,613</u>
Balance Due Within One Year	<u>\$ 61,736</u>	<u>\$ 377,996</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 87,621,180
Less: Balance Due Within One Year	(3,214,187)
Add: Unamortized Premium on Debt	<u>440,909</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 84,847,902</u>

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

Discretely Presented Hawkins County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Hawkins County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Compensated Absences	Termination Benefits
Balance, July 1, 2012	\$ 1,125,319	\$ 977,831
Additions	479,750	125,095
Reductions	(459,127)	(348,043)
	<hr/>	<hr/>
Balance, June 30, 2013	\$ 1,145,942	\$ 754,883
	<hr/>	<hr/>
Balance Due Within One Year	\$ 460,356	\$ 259,087
	<hr/>	<hr/>
	Other	
	Postemployment	Retirement
	Benefits	Honorarium
	<hr/>	<hr/>
Balance, July 1, 2012	\$ 8,156,702	\$ 0
Additions	2,466,292	26,159
Reductions	(950,334)	(36,889)
Restatement (See Note I.D.9)	0	664,811
	<hr/>	<hr/>
Balance, June 30, 2013	\$ 9,672,660	\$ 654,081
	<hr/>	<hr/>
Balance Due Within One Year	\$ 0	\$ 37,678
	<hr/>	<hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 12,227,566
Less: Balance Due Within One Year	<u>(757,121)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,470,445</u>

Compensated absences, other postemployment benefits, termination benefits, and retirement honorarium will be retired from the employing funds.

During the year, the Hawkins County School Department contributed \$922,548 to the Education Debt Service Fund of the primary government to be applied toward certain debt instruments, which had been issued for the benefit of the School Department.

H. 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, 2013, were \$321,725 and \$57,944, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Internal Financing

In-lieu-of issuing debt with financial institutions, Hawkins County chose to internally finance various projects with idle county funds.

Internally financed debt is reflected below as follows:

Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Property Assessor Vehicle	\$ 22,980	.4 %	8-16-10	8-16-13

Description	Amount Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Amount Outstanding 6-30-13
Property Assessor Vehicle	\$ 7,600	\$ 0	\$ 7,600	\$ 0
Total	\$ 7,600	\$ 0	\$ 7,600	\$ 0

This internal financing had been borrowed by the General Fund from the General Debt Service Fund.

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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Hawkins County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type

of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. 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.

D. Subsequent Event

On July 10, 2013, Hawkins County issued \$2,500,000 in general obligation bonds for highway construction and equipment.

E. Changes in Administration

On August 31, 2012, Kathy Cradic left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Sarah Davis, and Jack Price, Jr., left the Office of Property Assessor and was succeeded by Jeff Thacker.

F. Joint Ventures

Primary Government

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, 2013.

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.

Discretely Presented School Department

The discretely presented School Department participates in the Northeast Tennessee Cooperative (NETCO). The cooperative was established through a contractual agreement between the Boards of Education of Hawkins County and various other counties and cities in the upper East Tennessee area. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*, and 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 provide this service. NETCO is governed by a representative committee, including 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.

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

Administrative Offices:

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

Northeast Tennessee Cooperative
100 East Maple Street
P.O. Box 1517
Johnson City, TN 37605

G. Jointly Governed Organization

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

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Hawkins County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 9.19 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, 2013, Hawkins County’s annual pension cost of \$1,354,112 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 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 ten-year period. The 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, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$1,354,112	100%	\$0
6-30-12	1,286,418	100	0
6-30-11	1,236,688	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 94.5 percent funded. The actuarial accrued liability for benefits was \$44.69 million, and the actuarial value of assets was \$42.23 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.46 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.72 million, and the ratio of the UAAL to the covered payroll was 17.92 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement for the 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, 2013, 2012, and 2011, were \$2,507,843, \$2,505,180, and \$2,497,670, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

Hawkins County and the Hawkins County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. The School Department also participates in the state-administered Medicare Supplement Plan. 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, Section 8-27-302, *TCA*, for teachers, and Section 8-27-701, *TCA*, for the Medicare Supplement. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) 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://tn.gov/finance/act/cafr.html>.

In addition to the healthcare OPEB plans described above, the School Department also provides postemployment life insurance to retirees under the age of 70. The School Department contributes 100 percent of life insurance premiums.

Funding Policy

The premium requirements of the health 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 plans 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. During the year, Hawkins County contributed \$81,885 for postemployment health care. The School Department contributed \$848,739 to the postemployment health plan, \$66,675 to the Medicare Supplement Plan, and \$34,920 to the postemployment life insurance plan.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan	Schools - Medicare Supplement Plan	Schools - Life Insurance Plan
ARC	\$ 558,000	\$ 2,179,000	\$ 247,000	\$ 61,187
Interest on the NOPEBO	108,768	290,993	30,358	3,687
Adjustment to the ARC	(115,455)	(308,884)	(32,224)	(4,825)
Annual OPEB cost	\$ 551,313	\$ 2,161,109	\$ 245,134	\$ 60,049
Amount of contribution	(81,885)	(848,739)	(66,675)	(34,920)
Increase/decrease in NOPEBO	\$ 469,428	\$ 1,312,370	\$ 178,459	\$ 25,129
Net OPEB obligation, 7-1-12	2,719,185	7,274,835	758,954	122,913
Net OPEB obligation, 6-30-13	\$ 3,188,613	\$ 8,587,205	\$ 937,413	\$ 148,042

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Government Group	600,160	17	% \$ 2,249,924
6-30-12	"	547,467	14	2,719,185
6-30-13	"	551,313	15	3,188,613
6-30-11	Local Education Group	2,253,833	39	5,931,486
6-30-12	"	2,143,413	37	7,274,835
6-30-13	"	2,161,109	39	8,587,205
6-30-11	Schools - Medicare Supplement	189,034	22	575,983
6-30-12	"	242,584	25	758,954
6-30-13	"	245,134	27	937,413
6-30-11	Schools - Life Insurance	58,557	46	97,408
6-30-12	"	59,158	57	122,913
6-30-13	"	60,049	58	148,042

Funded Status and Funding Progress

The funded status of the plans as of the dates of the last actuarial studies was:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 3,692,000	\$ 17,353,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,692,000	\$ 17,353,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,892,166	\$ 35,781,769
UAAL as a % of covered payroll	54%	48%

	Schools - Medicare Supplement Plan	Schools - Life Insurance Plan
Actuarial valuation date	7-1-11	7-1-12
Actuarial accrued liability (AAL)	\$ 3,013,000	\$ 690,103
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 3,013,000	\$ 690,103
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	N/A	\$ 35,781,769
UAAL as a % of covered payroll	N/A	2%

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 required supplementary information 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 July 1, 2011, actuarial valuation for the Local Education Group and Local Government Group plans, the projected unit credit actuarial cost

method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for the fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Medicare Supplement Plan was 6.25 percent for fiscal year 2013. The trend will decrease to six percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2018. Both rates include a 2.5 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 July 1, 2007.

In the July 1, 2012, actuarial valuation of the Schools – life insurance plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a three percent discount rate. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 30-year period beginning with June 30, 2009.

J. Termination Benefits and Retirement Honorarium

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 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, 56 employees participated in the program. The estimated cost of the cash payments reported in the government-wide Statement of Net Position by function is \$754,883. 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 Position, \$259,087 is reflected as a current liability in the governmental funds.

In addition to the previously mentioned retirement incentive, the discretely presented Hawkins County School Department also offers an additional retirement honorarium payment. To be eligible, certified employees must retire with at least ten years of service. Under the terms of the plan, employees receive \$100 for each year of service with Hawkins County up to a maximum of 20 years. As of June 30, 2013, 373 employees met the requirement of this benefit. The estimated cost of these cash payments reported in the government-wide Statement of Net Position is \$654,081. Of that amount, \$37,678 is due within one year. The governmental funds'

financial statements reflect retirement honorarium expenditures of \$36,889 in the General Purpose School Fund.

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.

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

A. Summary of Significant Accounting Policies

Creation of Hawkins County Emergency Communications District was approved in a countywide referendum in August 1990. In accordance with Chapter 867 of the *Tennessee Code Annotated (TCA)*, members of the district's Board of Directors were appointed by the Hawkins County Commission. Customer surcharges were initiated, collected, and remitted by telephone companies serving Hawkins County soon thereafter.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of Hawkins County Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are reported using the economic resources measurement focus on the accrual basis of accounting. Revenue are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first.

The district uses the full accrual basis of accounting. Under this accounting basis, revenues are recognized when earned, and expenses are recorded when incurred, if measureable.

Reporting Entity

Hawkins County Emergency Communications District is a discretely presented component unit of the county government of Hawkins County, Tennessee. Per *TCA*, 7-86-114, the district cannot "issue its negotiable bonds, notes, and debt obligations for lease and/or lease purchases in anticipation of the collection of revenues for the purpose of constructing,

acquiring, reconstructing, improving, bettering, or expanding any facility or service authorized by this chapter or any combination thereof, and to pledge to the payment of the interest and principal of such bonds, notes, or debt obligations all or any part of the revenues derived from the operation of such facility, service, or combination thereof without the approval of the legislative body of Hawkins County.”

Property, Plant, and Equipment

Capital assets are defined by the district as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Property, plant, and equipment are accounted for at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Compensated Absences

The district allows employees to accumulate unlimited sick leave at the rate of eight hours per month or 12 days per year. Unused vacation days (180 hours maximum) are redeemable for cash or may be accumulated. Unused sick days will not be paid upon early termination. However, sick days may be accumulated and taken as early time off prior to an employee’s normal retirement. Since the employee’s accumulated rights to receive compensation are contingent upon the absences being caused by future illnesses and since such amounts cannot be reasonably estimated, a liability for unused sick days is not recorded in the financial statements.

Cash and Cash Equivalents

The district includes cash and cash equivalents in the presentation of the Statement of Cash Flows. Cash equivalents for this purpose are highly liquid investments with an original maturity of three months or less when purchased.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Cash and Certificates of Deposit

The district is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Tennessee or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Tennessee or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to

investment quality by a nationally recognized investment rating firm and having received a rating of not less than “AA” or its equivalent; (5) certificates of deposit issued by state and national banks, domiciled in Tennessee, that are guaranteed or insured by the Federal Deposit Insurance Corporations or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date. Cash in all checking accounts was covered by FDIC insurance or the Tennessee Collateral Pool. There were no certificates of deposit.

C. Capital Assets and Depreciation

Property, plant, and equipment and estimated useful lives used for depreciation purposes consisted of the following at June 30, 2013:

	2012	Additions	Deletions	2013	Estimated Useful Life
Capital Assets Not Being Depreciated:					
Land	\$ 126,314	\$ 0	\$ 0	\$ 126,314	
Capital Assets Being Depreciated:					
Building	\$ 553,601	\$ 0	\$ 0	\$ 553,601	40 years
Furniture and Fixtures	11,510	0	0	11,510	5 years
Vehicles	15,500	0	0	15,500	5 years
Office Equipment	17,440	4,581	7,674	14,347	5 years
Communications System	812,769	155,876	0	968,645	5-10 years
Total Depreciable Assets:	\$ 1,410,820	\$ 160,457	\$ 7,674	\$ 1,563,603	
Less Accumulated Depreciation:					
Building	\$ 42,644	\$ 13,840	\$ 0	\$ 56,484	
Furniture and Fixtures	6,253	3,119	0	9,372	
Vehicles	13,950	1,550	0	15,500	
Office Equipment	12,546	2,272	7,674	7,144	
Communications System	543,734	42,711	0	586,445	
Total Accumulated Depreciation:	\$ 619,127	\$ 63,492	\$ 7,674	\$ 674,945	
Net Capital Assets	\$ 918,007	\$ 96,965	\$ 0	\$ 1,014,972	

D. Economic Dependency

Tennessee state law mandates collection of a surcharge by telephone companies from their customers to fund established E-911 agencies. Hawkins County Emergency Communications district received approximately 39 percent of its total revenue from surcharges collected by Embarq, CenturyLink and AT&T. Another \$321,589 or 39 percent comes from the State Emergency Communications Board from cellular telephone charges and grants. These revenues are insufficient to pay the costs of district operations. For the agency to function, it also depends on appropriations from the county, which this year totaled \$175,000 or 22 percent of total (operating and non-operating) revenues.

E. Risk Management

Significant losses in the areas of employee health, accident, general liability, errors and omissions, and auto liability are covered through commercial insurance policies. There have been no reductions in coverage and settlement amounts have not exceeded insurance coverage for the current year or three prior years.

F. Employee's Retirement Plan

Plan Description

Employees of the district are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by 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 the district participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS.

Funding Policy

Hawkins County Emergency Communications District requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 4.19 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the district's annual pension cost of \$14,160 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 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 ten-year period. The district's unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was one year. An actuarial evaluation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$ 14,160	100%	\$ 0
6-30-12	21,946	100	0
6-30-11	22,068	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.21 percent funded. The actuarial accrued liability for benefits was \$.48 million, and the actuarial value of assets was \$.48 million, resulting in UAAL of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$.31 million, and the ratio of the UAAL to cover the payroll was 1.21 percent.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year 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 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.

G. Equipment Rental

The district rents equipment from telephone companies for use in daily operations. These rents are paid on a month-to-month basis with no minimum requirements, no terms, and no buy-out provisions.

H. Long-Term Liabilities

On June 24, 2013, the district borrowed funds totaling \$320,000 from First Tennessee Bank to finance communications equipment. Note principal and interest payments are due in monthly installments of \$4,383. This note bears a 4.056 percent interest rate payable monthly for seven years through 2020. The district made principal payments of \$0 and interest payments of \$0 during the year. Balance at year-end is \$320,000, with \$40,357 being classified as current.

On June 24, 2013, the district borrowed funds of \$380,000 from First Tennessee Bank to re-finance an existing building loan. Note principal and interest payments are due in monthly installments of \$2,417.58. This note bears a 4.563 percent interest rate payable monthly for 20 years through 2033. The district made principal payments of \$0 and interest payments of \$0 during the year. Balance at year-end is \$380,000, with \$11,919 being classified as current.

Changes in outstanding long-term debt for the year ended June 30, 2013, was as follows:

	Beginning			Ending	Due
	Balance	Additions	Retirements	Balance	Within
					One Year
Building Note	\$ 590,589	\$ 0	\$ 590,589	\$ 0	\$ 0
Equipment Note	147,654	0	147,654	0	0
Building Note RF	0	380,000	0	380,000	11,919
Equipment Note RF	0	320,000	0	320,000	40,358
Capital Lease - Note 9	8,570	0	365	8,205	2,142
Total	\$ 746,813	\$ 700,000	\$ 738,608	\$ 708,205	\$ 54,419

Scheduled principal and interest payments for the next five years and in the aggregate on the above notes follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 54,419	\$ 29,327
2015	56,642	27,104
2016	58,959	24,786
2017	61,011	22,369
2018	61,753	19,849
2019-2023	182,973	67,228
2024-2028	103,147	41,908
2029-2033	129,300	15,531
	<hr/>	
Total	\$ 708,204	\$ 248,102
	<hr/>	

I. Capital Leases

The district leases a copy machine from LEAF under a capital lease. The economic substance of the lease is that the district is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the district's assets and liabilities. The leased asset is included in Furniture and Fixtures.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Hawkins County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Hawkins County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen 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)
7-1-11	\$ 42,234	\$ 44,693	\$ 2,459	94.5 %	\$ 13,722	17.92 %
7-1-09	35,557	36,121	564	98.44	12,449	4.53
7-1-07	34,512	35,172	660	98.12	11,997	5.5

Exhibit E-2

Hawkins County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Hawkins County Emergency Communications District
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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)
7-1-11	\$ 476	\$ 480	\$ 4	99.21 %	\$ 315	1.21 %
7-1-09	321	325	4	98.72	325	1.28
7-1-07	241	246	5	97.97	265	1.89

Hawkins County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Hawkins County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
							Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 4,985	\$ 4,985	0 %	\$ 6,025	82.74 %
"	7-1-10	0	4,903	4,903	0	6,215	78.89
"	7-1-11	0	3,692	3,692	0	6,892	53.54
<u>DISCRETELY PRESENTED HAWKINS COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	18,817	18,817	0	34,117	55.15
"	7-1-10	0	18,937	18,937	0	35,393	53.50
"	7-1-11	0	17,353	17,353	0	35,781	48.49
Medicare Supplement	7-1-09	0	2,371	2,371	0	N/A	N/A
"	7-1-10	0	2,371	2,371	0	N/A	N/A
"	7-1-11	0	3,013	3,013	0	N/A	N/A
Life Insurance	7-1-08	0	658	658	0	33,413	1.97
"	7-1-10	0	668	668	0	35,393	1.89
"	7-1-12	0	690	690	0	35,782	1.93

HAWKINS COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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 and report financial resources that are restricted, committed, and assigned to expenditure for principal and interest.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county and the issuance of debt on behalf of the Hawkins County School Department.

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

Other Capital Projects Fund – QSCB – The Other Capital Projects Fund – QSCB is used to account for transactions related to the Qualified School Construction Bonds program.

Exhibit F-1

Hawkins County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Special Debt Service	General Capital Projects	Other Capital Projects - QSCB		Total	
							Other Capital Projects - QSCB	Total		
\$	0	0	58,589	58,589	0	0	85,203	85,203	85,203	143,792
Equity in Pooled Cash and Investments	534,255	270,882	0	805,137	1,695,224	64,118	0	0	64,118	2,564,479
Accounts Receivable	37,380	0	16,779	54,159	0	0	0	0	0	54,159
Due from Other Governments	202,079	0	0	202,079	0	0	0	0	0	202,079
Total Assets	\$ 773,714	\$ 270,882	\$ 75,368	\$ 1,119,964	\$ 1,695,224	\$ 64,118	\$ 85,203	\$ 85,203	\$ 149,321	\$ 2,964,509
Accounts Payable	\$ 57,440	\$ 6,854	\$ 0	\$ 64,294	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,294
Due to Other Funds	0	0	33,127	33,127	0	0	0	0	0	33,127
Due to Component Units	6,840	0	0	6,840	0	0	40,194	40,194	0	47,034
Due to Litigants, Heirs, and Others	0	80	0	80	0	0	0	0	0	80
Total Liabilities	\$ 64,280	\$ 6,934	\$ 33,127	\$ 104,341	\$ 0	\$ 0	\$ 40,194	\$ 40,194	\$ 40,194	\$ 144,535
Other Deferred/Unavailable Revenue	\$ 104,344	\$ 0	\$ 0	\$ 104,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,344
Total Deferred Inflows of Resources	\$ 104,344	\$ 0	\$ 0	\$ 104,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 104,344
<u>DEFERRED INFLOWS OF RESOURCES</u>										
<u>FUND BALANCES</u>										
Restricted:	0	0	42,241	42,241	0	0	0	0	0	42,241
Restricted for Administration of Justice	0	263,948	0	263,948	0	0	0	0	0	263,948
Restricted for Public Safety	0	0	0	0	1,695,224	0	0	0	0	1,695,224
Restricted for Debt Service	0	0	0	0	0	64,118	45,009	109,127	109,127	1,091,27
Restricted for Capital Projects	0	0	0	0	0	0	0	0	0	0
Committed:	605,090	0	0	605,090	0	0	0	0	0	605,090
Committed for Public Health and Welfare	\$ 605,090	\$ 263,948	\$ 42,241	\$ 911,279	\$ 1,695,224	\$ 64,118	\$ 45,009	\$ 45,009	\$ 109,127	\$ 2,715,630
Total Fund Balances	\$ 773,714	\$ 270,882	\$ 75,368	\$ 1,119,964	\$ 1,695,224	\$ 64,118	\$ 85,203	\$ 85,203	\$ 149,321	\$ 2,964,509
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 773,714	\$ 270,882	\$ 75,368	\$ 1,119,964	\$ 1,695,224	\$ 64,118	\$ 85,203	\$ 85,203	\$ 149,321	\$ 2,964,509

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, 2013

	Special Revenue Funds				Total	Debt Service Fund
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			
Revenues						
Local Taxes	\$ 1,084,117	\$ 0	\$ 0	\$ 1,084,117	\$ 339,384	0
Licenses and Permits	117,823	0	0	117,823	0	0
Fines, Forfeitures, and Penalties	60	105,688	0	105,748	0	0
Charges for Current Services	1,357	0	162,982	164,339	0	0
Other Local Revenues	83,587	0	0	83,587	0	0
State of Tennessee	101,582	0	0	101,582	0	0
Federal Government	0	9,258	0	9,258	33,666	0
Other Governments and Citizens Groups	0	5,000	0	5,000	0	0
Total Revenues	\$ 1,388,526	\$ 119,946	\$ 162,982	\$ 1,671,454	\$ 373,050	
Expenditures						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 174,131	\$ 174,131	\$ 0	0
Public Safety	0	107,458	282	107,740	0	0
Public Health and Welfare	1,327,266	0	0	1,327,266	0	0
Debt Service:						
Principal on Debt	0	0	0	0	140,000	0
Interest on Debt	0	0	0	0	96,190	0
Other Debt Service	0	0	0	0	4,314	0
Capital Projects	0	0	0	0	0	0
Total Expenditures	\$ 1,327,266	\$ 107,458	\$ 174,413	\$ 1,609,137	\$ 240,504	
Excess (Deficiency) of Revenues Over Expenditures	\$ 61,260	\$ 12,488	\$ (11,431)	\$ 62,317	\$ 132,546	
Net Change in Fund Balances	\$ 61,260	\$ 12,488	\$ (11,431)	\$ 62,317	\$ 132,546	
Fund Balance, July 1, 2012	543,830	251,460	53,672	848,962	1,562,678	
Fund Balance, June 30, 2013	\$ 605,090	\$ 263,948	\$ 42,241	\$ 911,279	\$ 1,695,224	

(Continued)

Exhibit F-2

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	Highway Capital Projects	Other Capital Projects - QSCB	Total	
<u>Revenues</u>					
Local Taxes	\$ 0 \$	0 \$	0 \$	0 \$	1,423,501
Licenses and Permits	0	0	0	0	117,823
Fines, Forfeitures, and Penalties	0	0	0	0	105,748
Charges for Current Services	0	0	0	0	164,339
Other Local Revenues	0	0	688	688	84,275
State of Tennessee	0	0	0	0	101,582
Federal Government	0	0	0	0	42,924
Other Governments and Citizens Groups	0	0	0	0	5,000
Total Revenues	\$ 0 \$	0 \$	688 \$	688 \$	2,045,192
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0 \$	0 \$	0 \$	0 \$	174,131
Public Safety	0	0	0	0	107,740
Public Health and Welfare	0	0	0	0	1,327,266
Debt Service:					
Principal on Debt	0	0	0	0	140,000
Interest on Debt	0	0	0	0	96,190
Other Debt Service	0	0	0	0	4,314
Capital Projects	101,300	740,907	1,167,979	2,010,186	2,010,186
Total Expenditures	\$ 101,300 \$	740,907 \$	1,167,979 \$	2,010,186 \$	3,859,827
Excess (Deficiency) of Revenues Over Expenditures	\$ (101,300) \$	(740,907) \$	(1,167,291) \$	(2,009,498) \$	(1,814,635)
Net Change in Fund Balances	\$ (101,300) \$	(740,907) \$	(1,167,291) \$	(2,009,498) \$	(1,814,635)
Fund Balance, July 1, 2012	165,418	740,907	1,212,300	2,118,625	4,530,265
Fund Balance, June 30, 2013	\$ 64,118 \$	0 \$	45,009 \$	109,127 \$	2,715,630

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,084,117	\$ 0	\$ 0	\$ 1,084,117	\$ 1,000,000	\$ 1,000,000	\$ 84,117
Licenses and Permits	117,823	0	0	117,823	112,000	112,000	5,823
Fines, Forfeitures, and Penalties	60	0	0	60	0	0	60
Charges for Current Services	1,357	0	0	1,357	2,000	2,000	(643)
Other Local Revenues	83,587	0	0	83,587	70,000	70,000	13,587
State of Tennessee	101,582	0	0	101,582	99,000	99,000	2,582
Total Revenues	\$ 1,388,526	\$ 0	\$ 0	\$ 1,388,526	\$ 1,283,000	\$ 1,283,000	\$ 105,526
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 18,761	\$ 0	\$ 0	\$ 18,761	\$ 27,565	\$ 27,565	\$ 8,804
Waste Pickup	306,680	(100)	0	306,580	386,285	384,134	77,554
Convenience Centers	323,370	0	200	323,570	422,046	423,724	100,154
Other Waste Collection	21,515	0	0	21,515	22,089	22,562	1,047
Recycling Center	76,870	(5,069)	0	71,801	90,040	90,040	18,239
Landfill Operation and Maintenance	549,152	0	0	549,152	556,676	556,676	7,524
Other Waste Disposal	30,918	(2,826)	0	28,092	32,000	32,000	3,908
Interest on Debt	0	0	0	0	2,000	2,000	2,000
General Government	1,327,266	(7,995)	200	1,319,471	1,538,701	1,538,701	219,230
Total Expenditures	\$ 1,327,266	\$ (7,995)	\$ 200	\$ 1,319,471	\$ 1,538,701	\$ 1,538,701	\$ 219,230
Excess (Deficiency) of Revenues Over Expenditures	\$ 61,260	\$ 7,995	\$ (200)	\$ 69,055	\$ (255,701)	\$ (255,701)	\$ 324,756
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 61,260	\$ 7,995	\$ (200)	\$ 69,055	\$ (255,701)	\$ (255,701)	\$ 324,756
Fund Balance, July 1, 2012	543,830	(7,995)	0	535,835	521,235	521,235	14,600
Fund Balance, June 30, 2013	\$ 605,090	\$ 0	\$ (200)	\$ 604,890	\$ 265,534	\$ 265,534	\$ 339,356

Exhibit F-4

Hawkins County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 105,688 \$	0 \$	105,688 \$	62,000 \$	62,000 \$	43,688
Federal Government	9,258	0	9,258	0	0	9,258
Other Governments and Citizens Groups	5,000	0	5,000	0	5,000	0
Total Revenues	\$ 119,946 \$	0 \$	119,946 \$	62,000 \$	67,000 \$	52,946
<u>Expenditures</u>						
Public Safety						
Drug Enforcement	\$ 107,458 \$	(390) \$	107,068 \$	155,600 \$	160,600 \$	53,532
Total Expenditures	\$ 107,458 \$	(390) \$	107,068 \$	155,600 \$	160,600 \$	53,532
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,488 \$	390 \$	12,878 \$	(93,600) \$	(93,600) \$	106,478
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 12,488 \$	390 \$	12,878 \$	(93,600) \$	(93,600) \$	106,478
	251,460	(390)	251,070	248,643	248,643	2,427
Fund Balance, June 30, 2013	\$ 263,948 \$	0 \$	263,948 \$	155,043 \$	155,043 \$	108,905

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 339,384	\$ 342,000	\$ 342,000	\$ (2,616)
Federal Government	33,666	33,667	33,667	(1)
Total Revenues	<u>\$ 373,050</u>	<u>\$ 375,667</u>	<u>\$ 375,667</u>	<u>\$ (2,617)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Highways and Streets	\$ 140,000	\$ 140,000	\$ 140,000	\$ 0
<u>Interest on Debt</u>				
Highways and Streets	96,190	96,190	96,190	0
<u>Other Debt Service</u>				
Highways and Streets	4,314	6,000	6,000	1,686
Total Expenditures	<u>\$ 240,504</u>	<u>\$ 242,190</u>	<u>\$ 242,190</u>	<u>\$ 1,686</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 132,546</u>	<u>\$ 133,477</u>	<u>\$ 133,477</u>	<u>\$ (931)</u>
Net Change in Fund Balance	\$ 132,546	\$ 133,477	\$ 133,477	\$ (931)
Fund Balance, July 1, 2012	<u>1,562,678</u>	<u>1,562,676</u>	<u>1,562,676</u>	<u>2</u>
Fund Balance, June 30, 2013	<u>\$ 1,695,224</u>	<u>\$ 1,696,153</u>	<u>\$ 1,696,153</u>	<u>\$ (929)</u>

Major Governmental Funds

Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

General Debt Service Fund – The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term 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.

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 956,099	\$ 938,195	\$ 938,195	\$ 17,904
Other Local Revenues	25,032	20,000	20,000	5,032
Federal Government	7,255	7,255	7,255	0
Total Revenues	<u>\$ 988,386</u>	<u>\$ 965,450</u>	<u>\$ 965,450</u>	<u>\$ 22,936</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 386,088	\$ 370,000	\$ 386,088	\$ 0
<u>Interest on Debt</u>				
General Government	665,405	658,342	665,842	437
<u>Other Debt Service</u>				
General Government	18,885	23,000	23,000	4,115
Total Expenditures	<u>\$ 1,070,378</u>	<u>\$ 1,051,342</u>	<u>\$ 1,074,930</u>	<u>\$ 4,552</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (81,992)</u>	<u>\$ (85,892)</u>	<u>\$ (109,480)</u>	<u>\$ 27,488</u>
Net Change in Fund Balance	\$ (81,992)	\$ (85,892)	\$ (109,480)	\$ 27,488
Fund Balance, July 1, 2012	4,022,294	4,022,295	4,022,295	(1)
Fund Balance, June 30, 2013	<u>\$ 3,940,302</u>	<u>\$ 3,936,403</u>	<u>\$ 3,912,815</u>	<u>\$ 27,487</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,933,560	\$ 3,806,183	\$ 3,806,183	\$ 127,377
Other Local Revenues	82,864	50,000	50,000	32,864
Federal Government	373,046	389,696	389,696	(16,650)
Other Governments and Citizens Groups	922,548	1,057,395	1,057,395	(134,847)
Total Revenues	<u>\$ 5,312,018</u>	<u>\$ 5,303,274</u>	<u>\$ 5,303,274</u>	<u>\$ 8,744</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 2,155,791	\$ 2,155,792	\$ 2,155,792	\$ 1
<u>Interest on Debt</u>				
Education	2,924,319	3,066,395	3,055,295	130,976
<u>Other Debt Service</u>				
Education	320,305	316,000	327,100	6,795
Total Expenditures	<u>\$ 5,400,415</u>	<u>\$ 5,538,187</u>	<u>\$ 5,538,187</u>	<u>\$ 137,772</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,397)</u>	<u>\$ (234,913)</u>	<u>\$ (234,913)</u>	<u>\$ 146,516</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 113,048	\$ 113,104	\$ 113,104	\$ (56)
Total Other Financing Sources	<u>\$ 113,048</u>	<u>\$ 113,104</u>	<u>\$ 113,104</u>	<u>\$ (56)</u>
Net Change in Fund Balance	\$ 24,651	\$ (121,809)	\$ (121,809)	\$ 146,460
Fund Balance, July 1, 2012	9,606,317	9,606,313	9,606,313	4
Fund Balance, June 30, 2013	<u>\$ 9,630,968</u>	<u>\$ 9,484,504</u>	<u>\$ 9,484,504</u>	<u>\$ 146,464</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' share of education revenues collected by the county that must be apportioned between the various school systems on an average daily attendance basis. These collections are remitted to the city school systems on a monthly basis.

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

Exhibit H-1

Hawkins County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	Agency Funds				Total
	Cities - Sales Tax	City School ADA - Rogersville	City School ADA - Kingsport	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,386,312	\$ 1,386,312
Equity in Pooled Cash and Investments	0	36,403	24,959	0	61,362
Accounts Receivable	0	0	0	66	66
Due from Other Governments	619,030	56,228	38,802	0	714,060
Taxes Receivable	0	732,704	506,055	0	1,238,759
Allowance for Uncollectible Taxes	0	(27,863)	(19,244)	0	(47,107)
Total Assets	<u>\$ 619,030</u>	<u>\$ 797,472</u>	<u>\$ 550,572</u>	<u>\$ 1,386,378</u>	<u>\$ 3,353,452</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 1,590	\$ 1,590
Due to Other Taxing Units	619,030	797,472	550,572	0	1,967,074
Due to Litigants, Heirs, and Others	0	0	0	1,384,788	1,384,788
Total Liabilities	<u>\$ 619,030</u>	<u>\$ 797,472</u>	<u>\$ 550,572</u>	<u>\$ 1,386,378</u>	<u>\$ 3,353,452</u>

Exhibit H-2

Hawkins County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,627,461	\$ 3,627,461	\$ 0
Due from Other Governments	622,145	619,030	622,145	619,030
Total Assets	\$ 622,145	\$ 4,246,491	\$ 4,249,606	\$ 619,030
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 622,145	\$ 4,246,491	\$ 4,249,606	\$ 619,030
Total Liabilities	\$ 622,145	\$ 4,246,491	\$ 4,249,606	\$ 619,030
<u>City School ADA - Rogersville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 319,923	\$ 1,082,354	\$ 1,365,874	\$ 36,403
Due from Other Governments	57,514	56,228	57,514	56,228
Taxes Receivable	748,701	732,704	748,701	732,704
Allowance for Uncollectible Taxes	(38,154)	(27,863)	(38,154)	(27,863)
Total Assets	\$ 1,087,984	\$ 1,843,423	\$ 2,133,935	\$ 797,472
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,087,984	\$ 1,843,423	\$ 2,133,935	\$ 797,472
Total Liabilities	\$ 1,087,984	\$ 1,843,423	\$ 2,133,935	\$ 797,472
<u>City School ADA - Kingsport Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 26,707	\$ 707,199	\$ 708,947	\$ 24,959
Due from Other Governments	37,388	38,802	37,388	38,802
Taxes Receivable	486,118	506,055	486,118	506,055
Allowance for Uncollectible Taxes	(24,772)	(19,244)	(24,772)	(19,244)
Total Assets	\$ 525,441	\$ 1,232,812	\$ 1,207,681	\$ 550,572
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 525,441	\$ 1,232,812	\$ 1,207,681	\$ 550,572
Total Liabilities	\$ 525,441	\$ 1,232,812	\$ 1,207,681	\$ 550,572

(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</u>				
<u>Assets</u>				
Cash	\$ 1,243,632	\$ 8,782,161	\$ 8,639,481	\$ 1,386,312
Accounts Receivable	42	66	42	66
Total Assets	<u>\$ 1,243,674</u>	<u>\$ 8,782,227</u>	<u>\$ 8,639,523</u>	<u>\$ 1,386,378</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 1,711	\$ 1,590	\$ 1,711	\$ 1,590
Due to Litigants, Heirs, and Others	1,241,963	8,780,637	8,637,812	1,384,788
Total Liabilities	<u>\$ 1,243,674</u>	<u>\$ 8,782,227</u>	<u>\$ 8,639,523</u>	<u>\$ 1,386,378</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,243,632	\$ 8,782,161	\$ 8,639,481	\$ 1,386,312
Equity in Pooled Cash and Investments	346,630	5,417,014	5,702,282	61,362
Due from Other Governments	717,047	714,060	717,047	714,060
Accounts Receivable	42	66	42	66
Taxes Receivable	1,234,819	1,238,759	1,234,819	1,238,759
Allowance for Uncollectible Taxes	(62,926)	(47,107)	(62,926)	(47,107)
Total Assets	<u>\$ 3,479,244</u>	<u>\$ 16,104,953</u>	<u>\$ 16,230,745</u>	<u>\$ 3,353,452</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 1,711	\$ 1,590	\$ 1,711	\$ 1,590
Due to Other Taxing Units	2,235,570	7,322,726	7,591,222	1,967,074
Due to Litigants, Heirs, and Others	1,241,963	8,780,637	8,637,812	1,384,788
Total Liabilities	<u>\$ 3,479,244</u>	<u>\$ 16,104,953</u>	<u>\$ 16,230,745</u>	<u>\$ 3,353,452</u>

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 two Capital Projects Funds.

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

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

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

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.

Other Capital Projects Fund - QSCB – The Other Capital Projects Fund - QSCB is used to account for transactions related to the Qualified School Construction Bonds program.

Exhibit I-1

Hawkins County, Tennessee
Statement of Activities
Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 41,653,672	\$ 7,700	\$ 2,949,537	\$ 1,167,979	\$ (37,528,456)
Support Services	22,398,110	629,207	897,370	0	(20,871,533)
Operation of Non-Instructional Services	3,979,629	949,528	3,369,485	0	339,384
Other Debt Service	922,548	0	0	0	(922,548)
Total Governmental Activities	\$ 68,953,959	\$ 1,586,435	\$ 7,216,392	\$ 1,167,979	\$ (58,983,153)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 8,243,706
Property Taxes Levied for Transportation					1,573,440
Local Option Sales Taxes					3,847,431
Wheel Tax					323,251
Interstate Telecommunications Tax					4,232
Grants and Contributions Not Restricted for Specific Programs					39,069,738
Unrestricted Investment Income					4,427
Miscellaneous					213,723
Total General Revenues					\$ 53,279,948
Change in Net Position					\$ (5,703,205)
Net Position, July 1, 2012					71,752,025
Prior-period Adjustment					(664,811)
Net Position, June 30, 2013					\$ 65,384,009

Exhibit I-2

Hawkins County, Tennessee
Balance Sheet - Governmental Funds
 Discretely Presented Hawkins County School Department
 June 30, 2013

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor- tation	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 197	\$ 197
Equity in Pooled Cash and Investments	10,993,024	351,643	2,642,655	13,987,322
Accounts Receivable	93,455	3,149	1,249	97,853
Due from Other Governments	849,409	98,065	522,340	1,469,814
Due from Other Funds	146,591	637,827	709	785,127
Due from Primary Government	0	24,893	40,194	65,087
Property Taxes Receivable	8,530,637	1,628,233	0	10,158,870
Allowance for Uncollectible Property Taxes	(324,400)	(61,918)	0	(386,318)
Total Assets	\$ 20,288,716	\$ 2,681,892	\$ 3,207,344	\$ 26,177,952
<u>LIABILITIES</u>				
Accounts Payable	\$ 251,629	\$ 960	\$ 4,605	\$ 257,194
Accrued Payroll	2,627	0	5,096	7,723
Payroll Deductions Payable	1,909	0	143	2,052
Contracts Payable	0	0	38,457	38,457
Retainage Payable	3,390	0	16,384	19,774
Termination Benefits Payable - Current	259,087	0	0	259,087
Due to Other Funds	638,536	0	146,591	785,127
Due to Primary Government	9,384	0	0	9,384
Other Current Liabilities	1,395,489	0	0	1,395,489
Total Liabilities	\$ 2,562,051	\$ 960	\$ 211,276	\$ 2,774,287
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 7,923,515	\$ 1,512,352	\$ 0	\$ 9,435,867
Deferred Delinquent Property Taxes	245,858	46,927	0	292,785
Other Deferred/Unavailable Revenue	326,896	90,350	0	417,246
Total Deferred Inflows of Resources	\$ 8,496,269	\$ 1,649,629	\$ 0	\$ 10,145,898
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 462,213	\$ 1,019,010	\$ 2,506,062	\$ 3,987,285
Committed:				
Committed for Education	0	12,293	500,000	512,293
Assigned:				
Assigned for Education	2,203,683	0	0	2,203,683
Unassigned	6,564,500	0	(9,994)	6,554,506
Total Fund Balances	\$ 9,230,396	\$ 1,031,303	\$ 2,996,068	\$ 13,257,767
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,288,716	\$ 2,681,892	\$ 3,207,344	\$ 26,177,952

Exhibit I-3

Hawkins County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Hawkins County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 13,257,767	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 1,584,332		
Add: construction in progress	72,969		
Add: building and improvements net of accumulated depreciation	58,907,759		
Add: other capital assets net of accumulated depreciation	<u>2,819,630</u>	63,384,690	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$ (1,145,942)		
Less: termination benefits - noncurrent portion	(495,796)		
Less: retirement honorarium payable	(654,081)		
Less: other postemployment benefits liability	<u>(9,672,660)</u>	(11,968,479)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>710,031</u>
Net position of governmental activities (Exhibit A)			<u>\$ 65,384,009</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, 2013

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 12,362,866	\$ 1,707,504	\$ 0	\$ 14,070,370
Licenses and Permits	3,597	0	0	3,597
Charges for Current Services	14,955	61,891	948,299	1,025,145
Other Local Revenues	204,967	465,760	27,277	698,004
State of Tennessee	37,044,898	966,856	37,600	38,049,354
Federal Government	208,494	0	7,975,152	8,183,646
Other Governments and Citizens Groups	0	0	1,167,979	1,167,979
Total Revenues	<u>\$ 49,839,777</u>	<u>\$ 3,202,011</u>	<u>\$ 10,156,307</u>	<u>\$ 63,198,095</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 32,384,482	\$ 0	\$ 3,709,259	\$ 36,093,741
Support Services	17,198,321	3,039,950	1,721,825	21,960,096
Operation of Non-Instructional Services	393,048	0	3,542,380	3,935,428
Capital Outlay	968,171	0	0	968,171
Debt Service:				
Other Debt Service	515,449	407,099	0	922,548
Capital Projects	0	0	1,188,442	1,188,442
Total Expenditures	<u>\$ 51,459,471</u>	<u>\$ 3,447,049</u>	<u>\$ 10,161,906</u>	<u>\$ 65,068,426</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,619,694)</u>	<u>\$ (245,038)</u>	<u>\$ (5,599)</u>	<u>\$ (1,870,331)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 76,827	\$ 11,176	\$ 0	\$ 88,003
Transfers In	16,604	637,827	272,393	926,824
Transfers Out	(910,220)	0	(16,604)	(926,824)
Total Other Financing Sources (Uses)	<u>\$ (816,789)</u>	<u>\$ 649,003</u>	<u>\$ 255,789</u>	<u>\$ 88,003</u>
Net Change in Fund Balances	\$ (2,436,483)	\$ 403,965	\$ 250,190	\$ (1,782,328)
Fund Balance, July 1, 2012	<u>11,666,879</u>	<u>627,338</u>	<u>2,745,878</u>	<u>15,040,095</u>
Fund Balance, June 30, 2013	<u>\$ 9,230,396</u>	<u>\$ 1,031,303</u>	<u>\$ 2,996,068</u>	<u>\$ 13,257,767</u>

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, 2013

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)		\$ (1,782,328)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,007,548	
Less: current-year depreciation expense	<u>(3,649,880)</u>	(2,642,332)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of assets disposed		(7,702)
(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, 2013	\$ 710,031	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(657,372)</u>	52,659
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ (20,623)	
Change in termination benefits payable - noncurrent portion	202,349	
Change in retirement honorarium payable	10,730	
Change in other postemployment benefits liability	<u>(1,515,958)</u>	<u>(1,323,502)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (5,703,205)</u>

Hawkins County, Tennessee
 Combining Balance Sheet - Nonmajor Governmental Funds
 Discretely Presented Hawkins County School Department
 June 30, 2013

Exhibit I-6

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Other Capital Projects - QSCB	Total	
\$	0 \$	197 \$	197 \$	0 \$	0 \$	0 \$	197
	7,173	2,500,829	2,508,002	2,473	132,180	134,653	2,642,655
	0	1,249	1,249	0	0	0	1,249
	519,133	3,207	522,340	0	0	0	522,340
	0	709	709	0	0	0	709
	0	0	0	0	40,194	40,194	40,194
\$	526,306 \$	2,506,191 \$	3,032,497 \$	2,473 \$	172,374 \$	174,847 \$	3,207,344

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Due from Other Funds
 Due from Primary Government

Total Assets

LIABILITIES

Accounts Payable
 Accrued Payroll
 Payroll Deductions Payable
 Contracts Payable
 Retainage Payable
 Due to Other Funds
 Total Liabilities

FUND BALANCES

Restricted:
 Restricted for Education
 Committed:
 Committed for Education
 Unassigned
 Total Fund Balances

Total Liabilities and Fund Balances

\$	4,605 \$	0 \$	4,605 \$	0 \$	0 \$	0 \$	4,605
	5,096	0	5,096	0	0	0	5,096
	0	143	143	0	0	0	143
	0	0	0	2,473	35,984	38,457	38,457
	0	0	0	0	16,384	16,384	16,384
	16,591	0	16,591	0	130,000	130,000	146,591
\$	26,292 \$	143 \$	26,435 \$	2,473 \$	182,368 \$	184,841 \$	211,276
\$	14 \$	2,506,048 \$	2,506,062 \$	0 \$	0 \$	0 \$	2,506,062
	500,000	0	500,000	0	0	0	500,000
	0	0	0	0	(9,994)	(9,994)	(9,994)
\$	500,014 \$	2,506,048 \$	3,006,062 \$	0 \$	(9,994) \$	(9,994) \$	2,996,068
\$	526,306 \$	2,506,191 \$	3,032,497 \$	2,473 \$	172,374 \$	174,847 \$	3,207,344

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, 2013

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Other Capital Projects - QSCB	Total	Total	
Revenues								
Charges for Current Services	\$ 0	\$ 948,299	\$ 948,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 948,299
Other Local Revenues	0	27,277	27,277	0	0	0	0	27,277
State of Tennessee	0	37,600	37,600	0	0	0	0	37,600
Federal Government	5,445,217	2,529,935	7,975,152	0	0	0	0	7,975,152
Other Governments and Citizens Groups	0	0	0	0	1,167,979	1,167,979	1,167,979	1,167,979
Total Revenues	\$ 5,445,217	\$ 3,543,111	\$ 8,988,328	\$ 0	\$ 1,167,979	\$ 1,167,979	\$ 1,167,979	\$ 10,156,307
Expenditures								
Current:								
Instruction	\$ 3,709,259	\$ 0	\$ 3,709,259	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,709,259
Support Services	1,721,825	0	1,721,825	0	0	0	0	1,721,825
Operation of Non-Instructional Services	0	3,542,380	3,542,380	0	0	0	0	3,542,380
Capital Projects	0	0	0	39,613	1,148,829	1,188,442	1,188,442	1,188,442
Total Expenditures	\$ 5,431,084	\$ 3,542,380	\$ 8,973,464	\$ 39,613	\$ 1,148,829	\$ 1,188,442	\$ 1,188,442	\$ 10,161,906
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,133	\$ 731	\$ 14,864	\$ (39,613)	\$ 19,150	\$ (20,463)	\$ (5,599)	
Other Financing Sources (Uses)								
Transfers In	\$ 200,000	\$ 1,992	\$ 201,992	\$ 70,401	\$ 0	\$ 70,401	\$ 0	\$ 272,393
Transfers Out	(16,604)	0	(16,604)	0	0	0	0	(16,604)
Total Other Financing Sources (Uses)	\$ 183,396	\$ 1,992	\$ 185,388	\$ 70,401	\$ 0	\$ 70,401	\$ 0	\$ 255,789
Net Change in Fund Balances Fund Balance, July 1, 2012	\$ 197,529	\$ 2,723	\$ 200,252	\$ 30,788	\$ 19,150	\$ 49,938	\$ (59,932)	\$ 250,190
	302,485	2,503,325	2,805,810	(30,788)	(29,144)	(59,932)		2,745,878
Fund Balance, June 30, 2013	\$ 500,014	\$ 2,506,048	\$ 3,006,062	\$ 0	\$ (9,994)	\$ (9,994)	\$ (9,994)	\$ 2,996,068

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 12,362,866	\$ 0	\$ 0	\$ 12,362,866	\$ 12,453,553	\$ 12,453,553	\$ (90,687)
Licenses and Permits	3,597	0	0	3,597	4,400	4,400	(803)
Charges for Current Services	14,955	0	0	14,955	5,000	5,000	9,955
Other Local Revenues	204,967	0	0	204,967	113,414	131,816	73,151
State of Tennessee	37,044,898	0	0	37,044,898	36,991,568	37,624,954	(580,056)
Federal Government	208,494	0	0	208,494	213,901	213,901	(5,407)
Total Revenues	\$ 49,839,777	\$ 0	\$ 0	\$ 49,839,777	\$ 49,781,836	\$ 50,433,624	\$ (593,847)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 26,323,022	\$ (955)	\$ 0	\$ 26,322,067	\$ 26,503,954	\$ 27,135,141	\$ 813,074
Alternative Instruction Program	251,142	0	0	251,142	341,450	348,240	97,098
Special Education Program	4,400,869	0	0	4,400,869	4,526,132	4,628,226	227,357
Vocational Education Program	1,338,084	0	0	1,338,084	1,296,602	1,356,984	18,900
Adult Education Program	71,365	0	0	71,365	88,485	89,470	18,105
<u>Support Services</u>							
Attendance	161,101	0	0	161,101	175,277	163,817	2,716
Health Services	745,827	(100)	11,032	756,759	765,150	783,490	26,731
Other Student Support	1,775,442	(1,296)	0	1,774,146	1,764,338	1,835,532	61,386
Regular Instruction Program	2,145,573	(3,867)	0	2,141,706	2,152,868	2,234,841	93,135
Special Education Program	456,097	0	0	456,097	454,302	460,308	4,211
Vocational Education Program	46,071	0	0	46,071	46,015	47,200	1,129
Adult Programs	69,183	0	0	69,183	69,369	72,930	3,747
Other Programs	379,669	0	0	379,669	0	379,669	0
Board of Education	1,780,048	(26,000)	29,000	1,783,048	1,635,882	1,678,101	(104,947)
Director of Schools	369,914	0	0	369,914	400,658	407,664	37,750
Office of the Principal	3,450,557	0	0	3,450,557	3,394,414	3,476,550	25,993
Fiscal Services	272,597	(8,422)	0	264,175	267,151	273,073	8,898

(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 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Human Services/Personnel	\$ 77,565	\$ 0	\$ 0	\$ 77,565	\$ 77,179	\$ 80,448	\$ 2,883
Operation of Plant	3,699,254	(2,500)	0	3,696,754	3,844,543	4,144,274	447,520
Maintenance of Plant	1,176,878	0	0	1,176,878	1,119,289	1,270,358	93,480
Transportation	435,708	(384,820)	0	50,888	48,881	48,881	(2,007)
Central and Other	156,837	0	0	156,837	0	166,498	9,661
<u>Operation of Non-Instructional Services</u>							
Food Service	2,333	0	0	2,333	61,911	0	(2,333)
Early Childhood Education	390,715	0	0	390,715	390,371	409,695	18,980
Capital Outlay							
Regular Capital Outlay	968,171	(7,650)	41,224	1,001,745	535,000	1,078,544	76,799
Other Debt Service							
Education	515,449	0	0	515,449	537,294	537,294	21,845
Total Expenditures	\$ 51,459,471	\$ (435,610)	\$ 81,256	\$ 51,105,117	\$ 50,496,515	\$ 53,107,228	\$ 2,002,111
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,619,694)	\$ 435,610	\$ (81,256)	\$ (1,265,340)	\$ (714,679)	\$ (2,673,604)	\$ 1,408,264
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 76,827	\$ 0	\$ 0	\$ 76,827	\$ 0	\$ 67,566	\$ 9,261
Transfers In	16,604	0	0	16,604	23,703	23,703	(7,099)
Transfers Out	(910,220)	0	0	(910,220)	(637,827)	(908,228)	(1,992)
Total Other Financing Sources	\$ (816,789)	\$ 0	\$ 0	\$ (816,789)	\$ (614,124)	\$ (816,959)	\$ 170
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (2,436,483)	\$ 435,610	\$ (81,256)	\$ (2,082,129)	\$ (1,328,803)	\$ (3,490,563)	\$ 1,408,434
Fund Balance, July 1, 2012	11,666,879	(435,610)	0	11,231,269	12,224,761	12,224,761	(993,492)
Fund Balance, June 30, 2013	\$ 9,230,396	\$ 0	\$ (81,256)	\$ 9,149,140	\$ 10,895,958	\$ 8,734,198	\$ 414,942

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 5,445,217	\$ 0	\$ 5,445,217	\$ 5,570,660	\$ 6,888,225	\$ (1,443,008)
Total Revenues	\$ 5,445,217	\$ 0	\$ 5,445,217	\$ 5,570,660	\$ 6,888,225	\$ (1,443,008)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 2,128,213	\$ (102,503)	\$ 2,025,710	\$ 1,704,703	\$ 2,643,812	\$ 618,102
Special Education Program	1,405,732	0	1,405,732	1,616,461	1,709,698	303,966
Vocational Education Program	175,314	(6,203)	169,111	170,789	169,955	844
<u>Support Services</u>						
Health Services	64,622	0	64,622	20,000	70,117	5,495
Other Student Support	290,962	(12,568)	278,394	338,562	349,929	71,535
Regular Instruction Program	1,035,366	(8,453)	1,026,913	1,267,775	1,325,285	298,372
Special Education Program	249,989	0	249,989	308,362	353,518	103,529
Vocational Education Program	866	0	866	1,000	866	0
Transportation	80,020	0	80,020	119,305	123,133	43,113
Total Expenditures	\$ 5,431,084	\$ (129,727)	\$ 5,301,357	\$ 5,546,957	\$ 6,746,313	\$ 1,444,956
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,133	\$ 129,727	\$ 143,860	\$ 23,703	\$ 141,912	\$ 1,948
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 200,000	\$ 0	\$ 200,000	\$ 0	\$ 200,000	\$ 0
Transfers Out	(16,604)	0	(16,604)	(23,703)	(25,523)	8,919
Total Other Financing Sources	\$ 183,396	\$ 0	\$ 183,396	\$ (23,703)	\$ 174,477	\$ 8,919
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 197,529	\$ 129,727	\$ 327,256	\$ 0	\$ 316,389	\$ 10,867
Fund Balance, July 1, 2012	302,485	(129,727)	172,758	302,484	302,484	(129,726)
Fund Balance, June 30, 2013	\$ 500,014	\$ 0	\$ 500,014	\$ 302,484	\$ 618,873	\$ (118,859)

Exhibit I-10

Hawkins County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual and Budget
 Discretely Presented Hawkins County School Department
 Central Cafeteria Fund
 For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 948,299	\$ 1,286,703	\$ 1,323,614	\$ (375,315)
Other Local Revenues	27,277	1,389	1,389	25,888
State of Tennessee	37,600	37,062	37,062	538
Federal Government	2,529,935	2,542,966	2,567,966	(38,031)
Total Revenues	<u>\$ 3,543,111</u>	<u>\$ 3,868,120</u>	<u>\$ 3,930,031</u>	<u>\$ (386,920)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 3,542,380	\$ 3,868,120	\$ 3,930,031	\$ 387,651
Total Expenditures	<u>\$ 3,542,380</u>	<u>\$ 3,868,120</u>	<u>\$ 3,930,031</u>	<u>\$ 387,651</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 731</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 731</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 1,992	\$ 0	\$ 0	\$ 1,992
Total Other Financing Sources	<u>\$ 1,992</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,992</u>
Net Change in Fund Balance	\$ 2,723	\$ 0	\$ 0	\$ 2,723
Fund Balance, July 1, 2012	<u>2,503,325</u>	<u>2,501,715</u>	<u>2,501,715</u>	<u>1,610</u>
Fund Balance, June 30, 2013	<u>\$ 2,506,048</u>	<u>\$ 2,501,715</u>	<u>\$ 2,501,715</u>	<u>\$ 4,333</u>

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, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,707,504	\$ 0	\$ 1,707,504	\$ 1,676,799	\$ 1,676,799	\$ 30,705
Charges for Current Services	61,891	0	61,891	124,793	124,793	(62,902)
Other Local Revenues	465,760	0	465,760	384,356	384,356	81,404
State of Tennessee	966,856	0	966,856	966,856	966,856	0
Total Revenues	\$ 3,202,011	\$ 0	\$ 3,202,011	\$ 3,152,804	\$ 3,152,804	\$ 49,207
<u>Expenditures</u>						
<u>Support Services</u>						
Board of Education	\$ 31,994	\$ 0	\$ 31,994	\$ 31,000	\$ 35,000	\$ 3,006
Transportation	3,007,956	402,925	3,410,881	3,553,074	3,499,074	88,193
<u>Other Debt Service</u>						
Education	407,099	0	407,099	406,557	406,557	(542)
Total Expenditures	\$ 3,447,049	\$ 402,925	\$ 3,849,974	\$ 3,790,631	\$ 3,940,631	\$ 90,657
Excess (Deficiency) of Revenues Over Expenditures	\$ (245,038)	\$ (402,925)	\$ (647,963)	\$ (637,827)	\$ (787,827)	\$ 139,864
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 11,176	\$ 0	\$ 11,176	\$ 0	\$ 0	\$ 11,176
Transfers In	637,827	0	637,827	637,827	637,827	0
Total Other Financing Sources	\$ 649,003	\$ 0	\$ 649,003	\$ 637,827	\$ 637,827	\$ 11,176
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 403,965	\$ (402,925)	\$ 1,040	\$ 0	\$ (150,000)	\$ 151,040
	627,338	0	627,338	627,338	627,338	0
Fund Balance, June 30, 2013	\$ 1,031,303	\$ (402,925)	\$ 628,378	\$ 627,338	\$ 477,338	\$ 151,040

MISCELLANEOUS SCHEDULES

Exhibit J-1

Hawkins County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued or Assumed During Period	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE								
<u>Payable through Education Debt Service Fund</u>								
School Buses Capital Outlay Note, Series 2009 (2)	\$ 743,000	Variable	7-14-09	6-1-16	\$ 585,000	\$ 0	\$ 123,000	\$ 462,000
Total Payable through Education Debt Service Fund					\$ 585,000	\$ 0	\$ 123,000	\$ 462,000
<u>Payable through General Debt Service Fund</u>								
Industrial Development Board Spec Building (1)	687,149	2.491 %	2-26-13	1-16-15	\$ 0	\$ 687,149	\$ 16,088	\$ 671,061
Total Payable through General Debt Service Fund					\$ 0	\$ 687,149	\$ 16,088	\$ 671,061
Total Notes Payable					\$ 585,000	\$ 687,149	\$ 139,088	\$ 1,133,061
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Refunding Series D-7-B - Series B-15-A	(3)	3 to 5	5-15-08	6-1-31	\$ 7,365,000	\$ 0	\$ 230,000	\$ 7,135,000
Refunding Series D-5-D - Series B-15-A	(3)	4.75 to 5	5-15-08	6-1-36	4,260,000	0	0	4,260,000
Justice Center and Courthouse Improvements - Series B-15-A	(3)	3 to 5	5-15-08	6-1-36	2,280,000	0	105,000	2,175,000
Total Payable through General Debt Service Fund					\$ 13,905,000	\$ 0	\$ 335,000	\$ 13,570,000
<u>Payable through Education Debt Service Fund</u>								
Series VII-A-1 - Refunding	16,150,000	(4)	8-28-08	6-1-29	\$ 16,150,000	\$ 0	\$ 0	\$ 16,150,000
Refunding Series D-7-B - Series B-15-A (2)	(3)	3 to 4.5	5-15-08	6-1-16	255,000	0	65,000	190,000
School Buses - Series B-15-A (2)	(3)	3.25 to 4.5	5-15-08	6-1-16	575,000	0	150,000	425,000
School Building Program - Series B-15-A	(3)	3.25 to 5	5-15-08	6-1-36	10,550,000	0	100,000	10,450,000
Qualified School Construction Bonds	2,640,000	1.51	12-17-09	7-1-26	2,337,991	0	164,731	2,173,260
Qualified School Construction Bonds	2,333,000	0	10-1-10	9-15-27	2,211,687	0	145,576	2,066,111
Energy Efficient Schools Initiative	740,278	0	1-11-11	10-1-18	669,774	0	105,756	564,018
Energy Efficient Schools Initiative	767,272	0	9-28-11	2-1-22	741,696	0	76,728	664,968
Total Payable through Education Debt Service Fund					\$ 33,491,148	\$ 0	\$ 807,791	\$ 32,683,357
Total Other Loans Payable					\$ 47,396,148	\$ 0	\$ 1,142,791	\$ 46,253,357

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued or Assumed During Period	Paid and/or Matured During Period	Outstanding 6-30-13
CAPITAL LEASES PAYABLE								
Payable through General Fund								
Communications Equipment	\$ 303,676	1.5 %	4-10-13	4-10-18	\$ 0	\$ 303,676	\$ 9,760	\$ 293,916
Total Payable through General Fund					\$ 0	\$ 303,676	\$ 9,760	\$ 293,916
Payable through Highway/Public Works Fund								
Communications Equipment	13,678	1.5	4-10-13	4-10-18	\$ 0	\$ 13,678	\$ 440	\$ 13,238
Total Payable through Highway/Public Works Fund					\$ 0	\$ 13,678	\$ 440	\$ 13,238
Total Capital Leases Payable					\$ 0	\$ 317,354	\$ 10,200	\$ 307,154
BONDS PAYABLE								
Payable through General Debt Service Fund								
General Obligation School Bonds, Series 2010 BABs	265,000	1 to 4.95	6-22-10	5-1-25	\$ 240,000	\$ 0	\$ 15,000	\$ 225,000
General Obligation School Bonds, Series 2010 BABs	330,000	1 to 4.95	6-22-10	5-1-25	290,000	0	20,000	270,000
Total Payable through General Debt Service Fund					\$ 530,000	\$ 0	\$ 35,000	\$ 495,000
Payable through Special Debt Service Fund								
General Obligation School Bonds, Series 2010 BABs	2,500,000	1 to 4.95	6-22-10	5-1-25	\$ 2,435,000	\$ 0	\$ 140,000	\$ 2,295,000
Total Payable through Special Debt Service Fund					\$ 2,435,000	\$ 0	\$ 140,000	\$ 2,295,000
Payable through Education Debt Service Fund								
General Obligation School Bonds, Series 2007	9,700,000	3.9	12-20-07	6-1-33	\$ 8,725,000	\$ 0	\$ 260,000	\$ 8,465,000
General Obligation School Bonds, Series 2009 BABs	17,700,000	5.8 to 6.25	8-28-09	6-1-38	17,700,000	0	0	17,700,000
General Obligation School Bonds, Series 2010 BABs	505,000	3.55 to 4.2	6-22-10	5-1-20	505,000	0	0	505,000
General Obligation School Bonds, Series 2011	410,000	3	4-7-11	5-1-21	410,000	0	0	410,000
General Obligation Refunding Bonds, Series 2011	7,380,000	2 to 3	4-7-11	5-1-19	7,330,000	0	965,000	6,365,000
Total Payable through Education Debt Service Fund					\$ 34,670,000	\$ 0	\$ 1,225,000	\$ 33,445,000
Total Bonds Payable					\$ 37,635,000	\$ 0	\$ 1,400,000	\$ 36,235,000

- (1) This note was issued by the Industrial Development Board with Hawkins County as the guarantor. In the current year, the county as guarantor agreed to assume the note debt and pay its requirements.
- (2) Funding for repayment of these notes and loan agreements is to be provided by the School Transportation Fund.
- (3) The total amount approved for the Series B-15-A loan agreement was \$27,745,000.
- (4) The entire amount of the PBA Loan Series V-B-1 was swapped to a synthetic fixed rate by execution of a swap agreement in a prior year. Also, in a prior year, the Series V-B-1 loan agreement was refunded with proceeds from the Series VII-A-1 loan agreement.

Exhibit J-2

Hawkins County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 171,664	\$ 27,821	\$ 199,485
2015	776,397	17,282	793,679
2016	185,000	4,532	189,532
Total	<u>\$ 1,133,061</u>	<u>\$ 49,635</u>	<u>\$ 1,182,696</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2014	\$ 1,157,791	\$ 1,416,604	\$ 131,571	\$ 2,705,966
2015	1,167,791	1,393,329	131,571	2,692,691
2016	1,152,792	1,369,704	131,571	2,654,067
2017	982,791	1,343,304	131,571	2,457,666
2018	1,002,792	1,323,704	131,571	2,458,067
2019	947,274	1,303,304	131,571	2,382,149
2020	2,217,035	1,273,334	131,571	3,621,940
2021	2,287,036	1,241,741	121,062	3,649,839
2022	2,356,451	1,207,402	110,145	3,673,998
2023	2,405,308	1,171,666	98,617	3,675,591
2024	2,525,307	1,134,315	86,478	3,746,100
2025	2,645,307	1,094,474	73,729	3,813,510
2026	2,766,523	1,047,799	60,368	3,874,690
2027	2,740,436	962,266	46,396	3,749,098
2028	2,683,723	806,325	31,610	3,521,658
2029	2,815,000	742,350	16,212	3,573,562
2030	2,305,000	701,100	0	3,006,100
2031	2,435,000	585,850	0	3,020,850
2032	2,100,000	464,100	0	2,564,100
2033	1,840,000	359,100	0	2,199,100
2034	1,875,000	271,700	0	2,146,700
2035	1,915,000	182,638	0	2,097,638
2036	1,930,000	91,675	0	2,021,675
Total	<u>\$ 46,253,357</u>	<u>\$ 21,487,784</u>	<u>\$ 1,565,614</u>	<u>\$ 69,306,755</u>

(Continued)

Exhibit J-2

Hawkins County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2014	\$ 61,736	\$ 4,184	\$ 65,920
2015	62,669	3,252	65,921
2016	63,615	2,305	65,920
2017	64,576	1,344	65,920
2018	54,558	376	54,934
Total	\$ 307,154	\$ 11,461	\$ 318,615

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,445,000	\$ 1,760,440	\$ 3,205,440
2015	1,505,000	1,715,470	3,220,470
2016	1,565,000	1,667,815	3,232,815
2017	1,800,000	1,617,440	3,417,440
2018	1,865,000	1,558,565	3,423,565
2019	1,925,000	1,496,615	3,421,615
2020	800,000	1,431,550	2,231,550
2021	860,000	1,399,690	2,259,690
2022	670,000	1,366,960	2,036,960
2023	690,000	1,339,173	2,029,173
2024	685,000	1,310,182	1,995,182
2025	710,000	1,281,038	1,991,038
2026	430,000	1,250,197	1,680,197
2027	435,000	1,233,428	1,668,428
2028	465,000	1,216,462	1,681,462
2029	475,000	1,198,328	1,673,328
2030	1,015,000	1,179,802	2,194,802
2031	1,050,000	1,130,718	2,180,718
2032	1,570,000	1,079,767	2,649,767
2033	2,000,000	998,063	2,998,063
2034	2,150,000	888,887	3,038,887
2035	2,300,000	756,663	3,056,663
2036	2,475,000	614,062	3,089,062
2037	3,600,000	459,375	4,059,375
2038	3,750,000	234,375	3,984,375
Total	\$ 36,235,000	\$ 30,185,065	\$ 66,420,065

Exhibit J-3

Hawkins County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Hawkins County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Education Debt Service	Transfer QSCB rebate	\$ 113,048
Total Transfers Primary Government			<u>\$ 113,048</u>
<u>DISCRETELY PRESENTED HAWKINS</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Cash flow	\$ 200,000
"	School Transportation	Fund operations	237,827
"	"	Fund bus purchases	400,000
"	Central Cafeteria	Reimburse expenses	1,992
"	Education Capital Projects	Fund capital projects	70,401
School Federal Projects	General Purpose School	Indirect costs	<u>16,604</u>
Total Transfers Discretely Presented Hawkins County School Department			<u>\$ 926,824</u>

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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 84,660	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA	77,629	100,000	"
Director of Schools	State Board of Education and County Board of Education	91,750 (1)	50,000	"
Trustee	Section 8-24-102, TCA	70,572	2,067,800	Ohio Casualty Insurance Company
Assessor of Property:				
Jack Price, Jr. (7-1-12 through 8-31-12)	Section 8-24-102, TCA	11,762	10,000	"
Jeff Thacker (9-1-12 through 6-30-13)	Section 8-24-102, TCA	58,810	50,000	RLI Insurance Company
County Clerk	Section 8-24-102, TCA	70,572	50,000	"
Circuit and General Sessions Courts Clerk:				
Kathy Cradic (7-1-12 through 8-31-12)	Section 8-24-102, TCA	11,762	50,000	"
Sarah Davis (9-1-12 through 6-30-13)	Section 8-24-102, TCA	58,810	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	70,572 (2)	75,000	"
Register of Deeds	Section 8-24-102, TCA	70,572	25,000	"
Sheriff	Section 8-24-102, TCA, and County Commission	81,229 (3)	25,000	"
Employee Blanket Bonds			150,000	Local Government Property and Casualty Fund
Public Employee Dishonesty - County Departments			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - School Department				

(1) Includes a chief executive officer training supplement of \$3,000 and a one-time bonus of \$500. Does not include a travel allowance totaling \$7,200.
(2) Does not include special commissioner fees of \$8,336.
(3) Includes \$3,000 for serving as workhouse superintendent and \$600 for a law enforcement training supplement.

Hawkins County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
Local Taxes					
<u>County Property Taxes</u>					
Current Property Tax	\$ 7,194,061	\$ 0	\$ 0	\$ 0	\$ 1,312,425
Trustee's Collections - Prior Year	308,482	0	0	0	56,277
Trustee's Collections - Bankruptcy	6,392	0	0	0	1,171
Circuit/Clerk & Master Collections - Prior Years	215,416	0	0	0	39,298
Interest and Penalty	58,277	0	0	0	10,634
Pick-up Taxes	44,790	0	0	0	1,650
Payments in-Lieu-of Taxes - T.V.A.	1,441	0	0	0	263
Payments in-Lieu-of Taxes - Other	16,889	0	0	0	3,081
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	790,084	0	0	0
Wheel Tax	339,384	0	0	0	0
Litigation Tax - General	123,893	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courtroom Security	112,093	0	0	0	0
Business Tax	0	294,033	0	0	0
Mineral Sovereignty Tax	0	0	0	0	55,568
<u>Statutory Local Taxes</u>					
Bank Excise Tax	12,447	0	0	0	2,271
Wholesale Beer Tax	90,689	0	0	0	0
Interstate Telecommunications Tax	2,972	0	0	0	0
Total Local Taxes	\$ 8,527,206	\$ 1,084,117	\$ 0	\$ 0	\$ 1,482,638
Licenses and Permits					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 117,823	\$ 0	\$ 0	\$ 0
Permits	1,963	0	0	0	0
Beer Permits	570	0	0	0	0
Other Permits	2,533	117,823	0	0	0
Total Licenses and Permits	\$ 2,533	\$ 117,823	\$ 0	\$ 0	\$ 0
Fines, Forfeitures, and Penalties					
<u>Circuit Court</u>					
Fines	\$ 5,949	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	10,549	0	0	0	0
Drug Control Fines	14,179	0	8,399	0	0
Drug Court Fees	1,554	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Data Entry Fee - Circuit Court	3,967 \$	0 \$	0 \$	0 \$	0
Courtroom Security Fee	182	0	0	0	0
<u>Criminal Court</u>					
Jail Fees	1,554	0	0	0	0
<u>General Sessions Court</u>					
Fines	35,249	60	0	0	0
Officers Costs	29,286	0	0	0	0
Game and Fish Fines	389	0	0	0	0
Drug Control Fines	19,575	0	17,324	0	0
Drug Court Fees	6,327	0	0	0	0
Jail Fees	46,582	0	0	0	0
DUI Treatment Fines	9,749	0	0	0	0
Data Entry Fee - General Sessions Court	11,256	0	0	0	0
Courtroom Security Fee	486	0	0	0	0
<u>Juvenile Court</u>					
Fines	13,644	0	0	0	0
Officers Costs	7,042	0	0	0	0
Game and Fish Fines	22	0	0	0	0
Jail Fees	370	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	940	0	0	0	0
Data Entry Fee - Chancery Court	5,527	0	0	0	0
Courtroom Security Fee	27	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	18,711	0	79,965	0	0
Total Fines, Forfeitures, and Penalties	243,116 \$	60 \$	105,688 \$	0 \$	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	0 \$	1,357 \$	0 \$	0 \$	0
Patient Charges	3,623	0	0	0	0
Work Release Charges for Board	44,831	0	0	0	0
Other General Service Charges	0	0	0	0	2,317
Fees					
Recreation Fees	6,840	0	0	0	0
Copy Fees	8,286	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Greenbelt Late Application Fee	50 \$	0 \$	0 \$	0 \$	0
Telephone Commissions	78,314	0	0	0	0
Vending Machine Collections	104	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	154,646	0
Special Commissioner Fees/Special Master Fees	0	0	0	8,336	0
Data Processing Fee - Register	16,804	0	0	0	0
Data Processing Fee - Sheriff	4,179	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,020	0	0	0	0
Data Processing Fee - County Clerk	3,062	0	0	0	0
Total Charges for Current Services	169,113 \$	1,357 \$	0 \$	162,982 \$	2,317
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	0 \$	0 \$	0 \$	0 \$	0
Commissary Sales	16,226	0	0	0	0
Sale of Gasoline	0	0	0	0	1,256
Sale of Maps	2,411	0	0	0	0
Sale of Recycled Materials	0	80,360	0	0	11,337
Miscellaneous Refunds	2,530	3,227	0	0	18,706
Expenditure Credits	44	0	0	0	0
<u>Nonrecurring Items</u>					
Sale of Property	399	0	0	0	0
Contributions and Gifts	205	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	169,617	0	0	0	0
Total Other Local Revenues	191,432 \$	83,587 \$	0 \$	0 \$	31,299
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Clerk and Master	79,556 \$	0 \$	0 \$	0 \$	0
<u>Fees in-Lieu-of-Salary</u>					
County Clerk	464,823	0	0	0	0
Circuit Court Clerk	253,078	0	0	0	0
General Sessions Court Clerk	342,354	0	0	0	0
Register	199,136	0	0	0	0
Sheriff	39,783	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees in-Lieu-of Salary (Cont.)</u>					
Trustee	\$ 667,149	\$ 0	\$ 0	\$ 0	\$ 0
Total Fees Received from County Officials	\$ 2,045,879	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
General Government Grants					
Airport Maintenance Program	\$ 1,946	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	36,716	0	0	0	0
Solid Waste Grants	0	17,034	0	0	0
Public Safety Grants					
Law Enforcement Training Programs	27,600	0	0	0	0
Health and Welfare Grants					
Other Health and Welfare Grants	392,474	0	0	0	0
Public Works Grants					
State Aid Program	0	0	0	0	380,353
Litter Program	50,640	0	0	0	0
Other State Revenues					
Income Tax	52,285	0	0	0	0
Beer Tax	18,586	0	0	0	0
Alcoholic Beverage Tax	0	84,548	0	0	0
Board of Jurors	122	0	0	0	0
Prisoner Transportation	277	0	0	0	0
Contracted Prisoner Boarding	1,557,367	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,919,238
Petroleum Special Tax	0	0	0	0	41,008
Registrar's Salary Supplement	15,164	0	0	0	0
Other State Revenues	167,208	0	0	0	215,000
Total State of Tennessee	\$ 2,320,385	\$ 101,582	\$ 0	\$ 0	\$ 2,555,599
<u>Federal Government</u>					
Federal Through State					
USDA - Other	\$ 8,000	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	35,600	0	0	0	0
Homeland Security Grants	146,393	0	0	0	0
Direct Federal Revenue					
Tax Credit Bond Rebate	113,104	0	0	0	0
Other Direct Federal Revenue	16,000	0	9,258	0	0
Total Federal Government	\$ 319,097	\$ 0	\$ 9,258	\$ 0	\$ 0

(Continued)

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
Other Governments and Citizens Groups					
Other Governments					
Contributions	\$ 133,474	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	56,167	0	0	0	0
Citizens Groups					
Donations	7,867	0	5,000	0	0
Other	7,800	0	0	0	0
Total Other Governments and Citizens Groups	\$ 205,308	\$ 0	\$ 5,000	\$ 0	\$ 0
Total	\$ 1,402,406	\$ 1,388,526	\$ 119,946	\$ 162,982	\$ 4,071,853

(Continued)

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	Other Capital Projects - QSCB	Capital Projects - QSCB	Other Capital Projects - QSCB	
Local Taxes							
<u>County Property Taxes</u>							
Current Property Tax	777,729	0	3,305,361	0	0	12,589,576	
Trustee's Collections - Prior Year	33,349	0	141,733	0	0	539,841	
Trustee's Collections - Bankruptcy	693	0	2,967	0	0	11,223	
Circuit/Clerk & Master Collections - Prior Years	23,274	0	99,044	0	0	377,032	
Interest and Penalty	6,300	0	26,776	0	0	101,987	
Pick-up Taxes	978	0	4,154	0	0	51,572	
Payments in-Lieu-of Taxes - T.V.A.	156	0	662	0	0	2,522	
Payments in-Lieu-of Taxes - Other	1,826	0	7,760	0	0	29,556	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	0	0	790,084	
Wheel Tax	0	339,384	339,384	0	0	1,018,152	
Litigation Tax - General	0	0	0	0	0	123,893	
Litigation Tax - Jail, Workhouse, or Courthouse	110,448	0	0	0	0	110,448	
Litigation Tax - Courtroom Security	0	0	0	0	0	112,093	
Business Tax	0	0	0	0	0	294,033	
Mineral Severance Tax	0	0	0	0	0	55,568	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	1,346	0	5,719	0	0	21,783	
Wholesale Beer Tax	0	0	0	0	0	90,669	
Interstate Telecommunications Tax	0	0	0	0	0	2,972	
Total Local Taxes	956,099	339,384	3,933,560	0	0	16,323,004	
<u>Licenses and Permits</u>							
Licenses							
Cable TV Franchise	0	0	0	0	0	117,823	
Permits							
Beer Permits	0	0	0	0	0	1,963	
Other Permits	0	0	0	0	0	570	
Total Licenses and Permits	0	0	0	0	0	120,356	
<u>Fines, Forfeitures, and Penalties</u>							
Circuit Court							
Fines	0	0	0	0	0	5,949	
Officers Costs	0	0	0	0	0	10,549	
Drug Control Fines	0	0	0	0	0	22,578	
Drug Court Fees	0	0	0	0	0	1,554	

(Continued)

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	Capital Projects - QSCB	Other Capital Projects - QSCB		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Data Entry Fee - Circuit Court	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	3,967
Courtroom Security Fee	0	0	0	0	0	0	182
<u>Criminal Court</u>							
Jail Fees	0	0	0	0	0	0	1,554
<u>General Sessions Court</u>							
Fines	0	0	0	0	0	0	35,309
Officers Costs	0	0	0	0	0	0	29,286
Game and Fish Fines	0	0	0	0	0	0	389
Drug Control Fines	0	0	0	0	0	0	36,899
Drug Court Fees	0	0	0	0	0	0	6,327
Jail Fees	0	0	0	0	0	0	46,582
DUI Treatment Fines	0	0	0	0	0	0	9,749
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	11,256
Courtroom Security Fee	0	0	0	0	0	0	486
<u>Juvenile Court</u>							
Fines	0	0	0	0	0	0	13,644
Officers Costs	0	0	0	0	0	0	7,042
Game and Fish Fines	0	0	0	0	0	0	22
Jail Fees	0	0	0	0	0	0	370
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	0	940
Data Entry Fee - Chancery Court	0	0	0	0	0	0	5,527
Courtroom Security Fee	0	0	0	0	0	0	27
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	0	0	0	0	98,676
Total Fines, Forfeitures, and Penalties	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	348,864
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	1,357
Patient Charges	0	0	0	0	0	0	3,623
Work Release Charges for Board	0	0	0	0	0	0	44,831
Other General Service Charges	0	0	0	0	0	0	2,317
Fees							
Recreation Fees	0	0	0	0	0	0	6,840
Copy Fees	0	0	0	0	0	0	8,286

(Continued)

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	Capital Projects - QSCB	Other Capital Projects - QSCB	
Charges for Current Services (Cont.)						
<u>Fees (Cont.)</u>						
Greenbelt Late Application Fee	0	0	0	0	0	50
Telephone Commissions	0	0	0	0	0	78,314
Vending Machine Collections	0	0	0	0	0	104
Constitutional Officers' Fees and Commissions	0	0	0	0	0	154,646
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	8,336
Data Processing Fee - Register	0	0	0	0	0	16,804
Data Processing Fee - Sheriff	0	0	0	0	0	4,179
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	3,020
Data Processing Fee - County Clerk	0	0	0	0	0	3,062
Total Charges for Current Services	0	0	0	0	0	335,769
Other Local Revenues						
<u>Recurring Items</u>						
Investment Income	25,032	0	82,864	688	0	108,584
Commissary Sales	0	0	0	0	0	16,226
Sale of Gasoline	0	0	0	0	0	1,256
Sale of Maps	0	0	0	0	0	2,411
Sale of Recycled Materials	0	0	0	0	0	91,697
Miscellaneous Refunds	0	0	0	0	0	24,463
Expenditure Credits	0	0	0	0	0	44
<u>Nonrecurring Items</u>						
Sale of Property	0	0	0	0	0	399
Contributions and Gifts	0	0	0	0	0	205
Other Local Revenues	0	0	0	0	0	169,617
Total Other Local Revenues	25,032	0	82,864	688	0	414,902
Fees Received from County Officials						
<u>Excess Fees</u>						
Clerk and Master	0	0	0	0	0	79,556
<u>Fees in-Lieu-of Salary</u>						
County Clerk	0	0	0	0	0	464,823
Circuit Court Clerk	0	0	0	0	0	253,078
General Sessions Court Clerk	0	0	0	0	0	342,354
Register	0	0	0	0	0	199,136
Sheriff	0	0	0	0	0	39,783

(Continued)

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	Other Capital Projects - QSCB		
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
Trustee	0 \$	0 \$	0 \$	0 \$	0 \$	667,149
Total Fees Received from County Officials	0 \$	0 \$	0 \$	0 \$	0 \$	2,045,879
<u>State of Tennessee</u>						
General Government Grants						
Airport Maintenance Program	0 \$	0 \$	0 \$	0 \$	0 \$	1,946
Aging Programs	0	0	0	0	0	36,716
Solid Waste Grants	0	0	0	0	0	17,034
Public Safety Grants						
Law Enforcement Training Programs	0	0	0	0	0	27,600
Health and Welfare Grants						
Other Health and Welfare Grants	0	0	0	0	0	392,474
Public Works Grants						
State Aid Program	0	0	0	0	0	380,353
Litter Program	0	0	0	0	0	50,640
Other State Revenues						
Income Tax	0	0	0	0	0	52,285
Beer Tax	0	0	0	0	0	18,586
Alcoholic Beverage Tax	0	0	0	0	0	84,548
Board of Jurors	0	0	0	0	0	122
Prisoner Transportation	0	0	0	0	0	277
Contracted Prisoner Boarding	0	0	0	0	0	1,557,367
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,919,238
Petroleum Special Tax	0	0	0	0	0	41,008
Registrar's Salary Supplement	0	0	0	0	0	15,164
Other State Revenues	0	0	0	0	0	382,208
Total State of Tennessee	0 \$	0 \$	0 \$	0 \$	0 \$	4,977,566
<u>Federal Government</u>						
Federal Through State						
USDA - Other	0 \$	0 \$	0 \$	0 \$	0 \$	8,000
Civil Defense Reimbursement	0	0	0	0	0	35,600
Homeland Security Grants	0	0	0	0	0	146,393
Direct Federal Revenue						
Tax Credit Bond Rebate	7,255	33,666	373,046	0	0	527,071
Other Direct Federal Revenue	0	0	0	0	0	25,258
Total Federal Government	7,255 \$	33,666 \$	373,046 \$	0 \$	0 \$	742,322

(Continued)

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	Other Capital Projects - QSCB		
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 922,548	\$ 0	\$ 0	\$ 1,056,022
Contracted Services	0	0	0	0	0	56,167
<u>Citizens Groups</u>						
Donations	0	0	0	0	0	12,867
Other	0	0	0	0	0	7,800
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 922,548	\$ 0	\$ 0	\$ 1,132,856
<u>Total</u>	\$ 988,386	\$ 373,050	\$ 5,312,018	\$ 688	\$ 26,441,518	

Hawkins County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Hawkins County School Department
 For the Year Ended June 30, 2013

	Special Revenue Funds				Capital Projects Fund		Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Other Capital Projects - QSCB		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 7,642,639	\$ 0	\$ 0	\$ 1,458,249	\$ 0	\$ 0	\$ 9,100,888
Trustee's Collections - Prior Year	325,006	0	0	62,530	0	0	387,536
Trustee's Collections - Bankruptcy	6,840	0	0	1,300	0	0	8,140
Circuit/Clerk & Master Collections - Prior Years	228,886	0	0	43,648	0	0	272,534
Interest and Penalty	61,927	0	0	11,815	0	0	73,742
Pick-up Taxes	9,609	0	0	1,834	0	0	11,443
Payments in-Lieu-of Taxes - T.V.A.	1,753	0	0	292	0	0	2,045
Payments in-Lieu-of Taxes - Other	19,405	0	0	3,423	0	0	22,828
<u>County Local Option Taxes</u>							
Local Option Sales Tax	3,847,985	0	0	0	0	0	3,847,985
Wheel Tax	201,361	0	0	121,890	0	0	323,251
<u>Statutory Local Taxes</u>							
Bank Excise Tax	13,223	0	0	2,523	0	0	15,746
Interstate Telecommunications Tax	4,232	0	0	0	0	0	4,232
<u>Total Local Taxes</u>	<u>\$ 12,362,866</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,707,504</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,070,370</u>
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	3,597	0	0	0	0	0	3,597
<u>Total Licenses and Permits</u>	<u>\$ 3,597</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,597</u>
<u>Charges for Current Services</u>							
<u>Education Charges</u>							
Lunch Payments - Children	0	0	584,011	0	0	0	584,011
Lunch Payments - Adults	0	0	89,641	0	0	0	89,641
Income from Breakfast	0	0	175,606	0	0	0	175,606
A la carte Sales	0	0	32,566	0	0	0	32,566
Receipts from Individual Schools	14,955	0	0	61,891	0	0	76,846
<u>Other Charges for Services</u>							
Other Charges for Services	0	0	66,475	0	0	0	66,475
<u>Total Charges for Current Services</u>	<u>\$ 14,955</u>	<u>\$ 0</u>	<u>\$ 948,299</u>	<u>\$ 61,891</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,025,145</u>
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	0	0	4,427	0	0	0	4,427

(Continued)

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

	Special Revenue Funds				Capital Projects Fund		Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Other Capital Projects - QSCB		
<u>Other Local Revenues (Cont.)</u>							
<u>Recurring Items (Cont.)</u>							
Sale of Materials and Supplies	\$ 0	\$ 0	\$ 0	\$ 461,956	\$ 0	\$ 0	461,956
Refund of Telecommunication & Internet Fees (E-Rate)	28,408	0	0	0	0	0	28,408
Retirees' Insurance Payments	0	0	132	0	0	0	132
Commodity Rebates	0	0	20,959	0	0	0	20,959
Miscellaneous Refunds	159,945	0	530	3,749	0	0	164,224
<u>Nonrecurring Items</u>							
Sale of Equipment	7,650	0	1,229	0	0	0	8,879
Damages Recovered from Individuals	50	0	0	55	0	0	105
Contributions and Gifts	8,721	0	0	0	0	0	8,721
<u>Other Local Revenues</u>							
Other Local Revenues	193	0	0	0	0	0	193
Total Other Local Revenues	\$ 204,967	\$ 0	\$ 27,277	\$ 465,760	\$ 0	\$ 0	\$ 698,004
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
On-Behalf Contributions for OPEB	\$ 379,669	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	379,669
<u>State Education Funds</u>							
Basic Education Program	34,456,425	0	0	966,856	0	0	35,423,281
Early Childhood Education	392,669	0	0	0	0	0	392,669
School Food Service	0	0	37,600	0	0	0	37,600
Driver Education	3,355	0	0	0	0	0	3,355
Other State Education Funds	247,506	0	0	0	0	0	247,506
Career Ladder Program	209,651	0	0	0	0	0	209,651
Career Ladder - Extended Contract	72,000	0	0	0	0	0	72,000
<u>Other State Revenues</u>							
State Revenue Sharing - T.V.A.	1,278,803	0	0	0	0	0	1,278,803
Other State Grants	4,820	0	0	0	0	0	4,820
Total State of Tennessee	\$ 37,044,898	\$ 0	\$ 37,600	\$ 966,856	\$ 0	\$ 0	\$ 38,049,354
<u>Federal Government</u>							
<u>Federal Through State</u>							
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,739,731	\$ 0	\$ 0	\$ 0	1,739,731
USDA - Commodities	0	0	202,965	0	0	0	202,965
Breakfast	0	0	549,013	0	0	0	549,013
USDA - Other	0	0	38,226	0	0	0	38,226

(Continued)

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

	Special Revenue Funds				Capital Projects Fund		Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Other Capital Projects - QSCB		
<u>Federal Government (Cont.)</u>							
<u>Federal Through State (Cont.)</u>							
Adult Education State Grant Program	\$ 89,255	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 89,255
Vocational Education - Basic Grants to States	0	211,550	0	0	0	0	211,550
Other Vocational	0	4,595	0	0	0	0	4,595
Title I Grants to Local Education Agencies	0	2,323,438	0	0	0	0	2,323,438
Special Education - Grants to States	0	1,625,999	0	0	0	0	1,625,999
Special Education Preschool Grants	0	13,145	0	0	0	0	13,145
English Language Acquisition Grants	0	4,767	0	0	0	0	4,767
Safe and Drug-Free Schools - State Grants	0	43,374	0	0	0	0	43,374
Eisenhower Professional Development State Grants	0	564,850	0	0	0	0	564,850
Race-to-the-Top - ARRA	0	653,499	0	0	0	0	653,499
<u>Direct Federal Revenue</u>							
ROTC Reimbursement	119,239	0	0	0	0	0	119,239
Total Federal Government	\$ 208,494	\$ 5,445,217	\$ 2,529,935	\$ 0	\$ 0	\$ 0	\$ 8,183,646
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments Contributions</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,167,979	\$ 1,167,979
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,167,979	\$ 1,167,979
<u>Total</u>	\$ 49,839,777	\$ 5,445,217	\$ 3,543,111	\$ 3,202,011	\$ 1,167,979	\$ 63,198,095	\$ 63,198,095

Exhibit J-7

Hawkins County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	22,500	
Other Per Diem and Fees		12,350	
Social Security		2,666	
State Retirement		2,188	
Medical Insurance		9,014	
Audit Services		17,050	
Printing, Stationery, and Forms		21	
Travel		15,949	
Total County Commission			\$ 81,738

Board of Equalization

Board and Committee Members Fees	\$	4,440	
Social Security		340	
Travel		195	
Total Board of Equalization			4,975

Beer Board

Board and Committee Members Fees	\$	800	
Social Security		61	
State Retirement		37	
Total Beer Board			898

Budget and Finance Committee

Board and Committee Members Fees	\$	5,600	
Social Security		429	
State Retirement		372	
Total Budget and Finance Committee			6,401

County Mayor/Executive

County Official/Administrative Officer	\$	84,660	
Accountants/Bookkeepers		154,378	
Part-time Personnel		11,616	
In-Service Training		363	
Social Security		16,407	
State Retirement		21,968	
Life Insurance		282	
Medical Insurance		40,663	
Unemployment Compensation		542	
Communication		5,286	
Maintenance Agreements		13,862	
Rentals		4,500	
Travel		4,170	
Office Supplies		5,755	
Data Processing Equipment		1,781	
Office Equipment		1,655	
Total County Mayor/Executive			367,888

County Attorney

County Official/Administrative Officer	\$	24,606	
Social Security		1,442	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney (Cont.)

State Retirement	\$	2,261	
Life Insurance		32	
Medical Insurance		10,583	
Unemployment Compensation		90	
Total County Attorney			\$ 39,014

Election Commission

Supervisor/Director	\$	63,515	
Deputy(ies)		79,345	
Overtime Pay		9,795	
Other Salaries and Wages		25,355	
Election Commission		8,190	
Election Workers		74,935	
Social Security		14,969	
State Retirement		14,028	
Life Insurance		200	
Medical Insurance		26,334	
Unemployment Compensation		436	
Communication		5,282	
Dues and Memberships		300	
Operating Lease Payments		3,090	
Legal Notices, Recording, and Court Costs		3,310	
Maintenance and Repair Services - Office Equipment		15,909	
Postal Charges		2,890	
Rentals		3,611	
Travel		9,552	
Other Contracted Services		17,172	
Office Supplies		3,406	
Other Supplies and Materials		6,827	
Other Charges		396	
Data Processing Equipment		4,382	
Total Election Commission			393,229

Register of Deeds

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		96,116	
Part-time Personnel		5,956	
Social Security		12,119	
State Retirement		15,318	
Life Insurance		225	
Medical Insurance		25,568	
Unemployment Compensation		420	
Communication		4,242	
Maintenance Agreements		151	
Rentals		2,534	
Other Contracted Services		14,806	
Office Supplies		1,104	
Office Equipment		390	
Total Register of Deeds			249,521

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Planning

Board and Committee Members Fees	\$	2,250	
Social Security		172	
Contracts with Government Agencies		12,250	
Total Planning			\$ 14,672

County Buildings

Supervisor/Director	\$	27,293	
Custodial Personnel		68,423	
Maintenance Personnel		33,250	
Social Security		8,563	
State Retirement		11,852	
Life Insurance		337	
Medical Insurance		39,887	
Unemployment Compensation		589	
Architects		10,263	
Communication		10,339	
Contracts with Government Agencies		21,951	
Janitorial Services		8,471	
Laundry Service		2,534	
Maintenance and Repair Services - Buildings		18,062	
Maintenance and Repair Services - Equipment		1,157	
Maintenance and Repair Services - Office Equipment		584	
Maintenance and Repair Services - Vehicles		1,076	
Pest Control		3,603	
Rentals		20,073	
Travel		224	
Permits		165	
Other Contracted Services		30,317	
Custodial Supplies		10,819	
Gasoline		3,079	
Office Supplies		151	
Small Tools		253	
Tires and Tubes		261	
Utilities		205,699	
Other Supplies and Materials		10,970	
Other Charges		410	
Building Improvements		34,879	
Office Equipment		178	
Other Equipment		344	
Total County Buildings			586,056

Other General Administration

Dues and Memberships	\$	13,142	
Evaluation and Testing		1,990	
Legal Notices, Recording, and Court Costs		1,464	
Maintenance Agreements		4,013	
Postal Charges		39,289	
Rentals		5,832	
Other Contracted Services		3,940	
Duplicating Supplies		6,945	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Other Supplies and Materials	\$	892	
Building and Contents Insurance		4,897	
Liability Insurance		282,959	
Premiums on Corporate Surety Bonds		4,992	
Workers' Compensation Insurance		134,650	
Liability Claims		5,415	
Other Charges		145	
Total Other General Administration			\$ 510,565

Preservation of Records

Communication	\$	876	
Total Preservation of Records			876

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		169,777	
Social Security		16,955	
State Retirement		22,088	
Life Insurance		324	
Medical Insurance		24,814	
Unemployment Compensation		540	
Communication		3,572	
Data Processing Services		20,236	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		93	
Maintenance Agreements		3,500	
Maintenance and Repair Services - Vehicles		345	
Rentals		1,555	
Travel		1,699	
Tuition		300	
Other Contracted Services		11,305	
Gasoline		5,227	
Office Supplies		2,589	
Tires and Tubes		505	
Other Supplies and Materials		250	
Other Charges		118	
Office Equipment		1,809	
Total Property Assessor's Office			358,348

Reappraisal Program

Supervisor/Director	\$	37,456	
Deputy(ies)		53,663	
Social Security		6,213	
State Retirement		8,374	
Life Insurance		150	
Medical Insurance		13,290	
Unemployment Compensation		270	
Data Processing Services		7,505	
Postal Charges		1,253	
Total Reappraisal Program			128,174

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		72,192	
Temporary Personnel		28,000	
Other Salaries and Wages		1,870	
Social Security		12,488	
State Retirement		12,599	
Life Insurance		184	
Medical Insurance		8,714	
Unemployment Compensation		518	
Communication		4,549	
Dues and Memberships		160	
Legal Notices, Recording, and Court Costs		154	
Maintenance and Repair Services - Office Equipment		14,847	
Rentals		1,603	
Travel		2,030	
Other Contracted Services		8,492	
Office Supplies		3,413	
Data Processing Equipment		4,918	
Other Capital Outlay		2,182	
Total County Trustee's Office			\$ 249,485

County Clerk's Office

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		320,573	
Part-time Personnel		20,564	
Other Salaries and Wages		4,323	
Other Per Diem and Fees		200	
Social Security		28,639	
State Retirement		35,606	
Life Insurance		565	
Medical Insurance		74,095	
Unemployment Compensation		1,139	
Communication		8,210	
Dues and Memberships		150	
Legal Notices, Recording, and Court Costs		233	
Maintenance and Repair Services - Office Equipment		17,146	
Rentals		2,994	
Travel		1,785	
Other Contracted Services		600	
Office Supplies		4,355	
Office Equipment		17,353	
Total County Clerk's Office			609,102

Administration of Justice

Circuit Court Clerk

County Official/Administrative Officer	\$	70,572	
Deputy(ies)		238,572	
Part-time Personnel		20,813	
Other Salaries and Wages		4,916	
Jury and Witness Expense		2,865	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court Clerk (Cont.)

Social Security	\$	24,213	
State Retirement		28,430	
Life Insurance		545	
Medical Insurance		29,978	
Unemployment Compensation		1,186	
Communication		8,679	
Dues and Memberships		120	
Legal Notices, Recording, and Court Costs		205	
Maintenance Agreements		17,662	
Rentals		1,620	
Travel		1,564	
Office Supplies		18,807	
Other Supplies and Materials		3,711	
Data Processing Equipment		122	
Office Equipment		4,769	
Total Circuit Court Clerk			\$ 479,349

Criminal Court

Jury and Witness Expense	\$	9,261	
Total Criminal Court			9,261

General Sessions Court

Judge(s)	\$	153,077	
Secretary(ies)		29,729	
Clerical Personnel		23,209	
Other Salaries and Wages		5,682	
Social Security		15,214	
State Retirement		16,588	
Life Insurance		128	
Medical Insurance		18,519	
Unemployment Compensation		207	
Communication		1,913	
Evaluation and Testing		3,700	
Maintenance and Repair Services - Office Equipment		1,391	
Travel		2,437	
Office Supplies		648	
Other Supplies and Materials		321	
Other Charges		7,881	
Data Processing Equipment		1,019	
Other Capital Outlay		901	
Total General Sessions Court			282,564

Chancery Court

Social Security	\$	10,622	
State Retirement		14,905	
Life Insurance		232	
Medical Insurance		38,783	
Unemployment Compensation		450	
Communication		3,444	
Maintenance Agreements		6,799	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Rentals	\$	4,368	
Travel		639	
Office Supplies		5,064	
Data Processing Equipment		1,101	
Office Equipment		3,152	
Total Chancery Court			\$ 89,559

Juvenile Court

Judge(s)	\$	61,231	
Secretary(ies)		22,599	
Clerical Personnel		21,712	
Part-time Personnel		500	
In-Service Training		638	
Social Security		7,011	
State Retirement		9,699	
Life Insurance		150	
Medical Insurance		23,135	
Unemployment Compensation		185	
Dues and Memberships		170	
Other Supplies and Materials		316	
Total Juvenile Court			147,346

Courtroom Security

Deputy(ies)	\$	70,232	
Overtime Pay		533	
In-Service Training		86	
Social Security		4,739	
State Retirement		6,504	
Life Insurance		148	
Medical Insurance		14,502	
Unemployment Compensation		268	
Liability Insurance		2,671	
Workers' Compensation Insurance		2,829	
Total Courtroom Security			102,512

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	77,629	
Deputy(ies)		796,681	
Detective(s)		371,427	
Captain(s)		50,215	
Lieutenant(s)		158,510	
Sergeant(s)		207,725	
Salary Supplements		28,800	
Secretary(ies)		49,025	
School Resource Officer		77,844	
Overtime Pay		39,075	
Other Salaries and Wages		20,644	
In-Service Training		18,692	
Social Security		132,425	

(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.)

State Retirement	\$	168,115	
Life Insurance		2,797	
Medical Insurance		263,239	
Unemployment Compensation		5,014	
Communication		21,448	
Contributions		2,701	
Maintenance Agreements		5,286	
Maintenance and Repair Services - Equipment		1,050	
Maintenance and Repair Services - Office Equipment		4,093	
Maintenance and Repair Services - Vehicles		50,559	
Rentals		3,881	
Towing Services		1,540	
Travel		637	
Other Contracted Services		783	
Data Processing Supplies		267	
Gasoline		213,913	
Law Enforcement Supplies		11,696	
Office Supplies		2,136	
Tires and Tubes		17,083	
Uniforms		16,347	
Other Supplies and Materials		1,620	
Liability Insurance		2,671	
Workers' Compensation Insurance		3,106	
Other Charges		659	
Data Processing Equipment		1,026	
Law Enforcement Equipment		9,176	
Office Equipment		2,063	
Total Sheriff's Department			\$ 2,841,598

Drug Enforcement

Salary Supplements	\$	550	
Social Security		37	
State Retirement		51	
Total Drug Enforcement			638

Administration of the Sexual Offender Registry

Other Charges	\$	1,020	
Data Processing Equipment		212	
Office Equipment		862	
Total Administration of the Sexual Offender Registry			2,094

Jail

Lieutenant(s)	\$	25,993	
Guards		910,013	
Cafeteria Personnel		53,719	
Part-time Personnel		10,122	
Overtime Pay		44,195	
Other Salaries and Wages		13,789	
In-Service Training		3,906	
Social Security		74,262	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

State Retirement	\$	86,071	
Life Insurance		2,076	
Medical Insurance		178,045	
Unemployment Compensation		4,973	
Communication		4,441	
Evaluation and Testing		2,000	
Maintenance Agreements		4,992	
Maintenance and Repair Services - Buildings		8,276	
Maintenance and Repair Services - Equipment		9,663	
Maintenance and Repair Services - Office Equipment		5,077	
Medical and Dental Services		249,237	
Rentals		2,528	
Travel		259	
Other Contracted Services		20,204	
Custodial Supplies		26,262	
Data Processing Supplies		230	
Food Preparation Supplies		19,337	
Food Supplies		282,467	
Office Supplies		1,277	
Prisoners Clothing		4,851	
Uniforms		5,861	
Utilities		113,616	
Other Supplies and Materials		27,541	
Medical Claims		88,117	
Data Processing Equipment		2,130	
Food Service Equipment		1,750	
Office Equipment		827	
Other Equipment		2,429	
Other Capital Outlay		20,049	
Total Jail			\$ 2,310,585

Juvenile Services

Youth Service Officer(s)	\$	59,215	
Social Security		4,071	
State Retirement		5,442	
Life Insurance		100	
Medical Insurance		9,845	
Unemployment Compensation		180	
Communication		4,736	
Contracts with Other Public Agencies		86,131	
Evaluation and Testing		3,190	
Maintenance and Repair Services - Office Equipment		4,512	
Rentals		2,704	
Travel		858	
Other Contracted Services		1,308	
Office Supplies		2,543	
Other Supplies and Materials		1,601	
Office Equipment		2,890	
Total Juvenile Services			189,326

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contributions	\$	233,000	
Total Fire Prevention and Control			\$ 233,000

Rescue Squad

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

Disaster Relief

Other Supplies and Materials	\$	5,918	
Total Disaster Relief			5,918

Other Emergency Management

Supervisor/Director	\$	34,363	
Part-time Personnel		9,950	
Social Security		3,187	
State Retirement		3,158	
Life Insurance		50	
Medical Insurance		4,922	
Unemployment Compensation		180	
Communication		7,073	
Contributions		195,000	
Maintenance and Repair Services - Equipment		7,100	
Maintenance and Repair Services - Vehicles		692	
Rentals		48	
Travel		1,132	
Other Contracted Services		9,500	
Gasoline		4,786	
Office Supplies		357	
Tires and Tubes		605	
Other Supplies and Materials		1,560	
Workers' Compensation Insurance		304	
Other Charges		35	
Communication Equipment		198	
Motor Vehicles		26,380	
Other Equipment		16,337	
Other Capital Outlay		38,099	
Total Other Emergency Management			365,016

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	27,165	
Contracts with Government Agencies		85,893	
Other Charges		8,344	
Total County Coroner/Medical Examiner			121,402

Other Public Safety

Supervisor/Director	\$	19,431	
Other Salaries and Wages		6,048	
Social Security		1,712	
State Retirement		1,786	
Life Insurance		18	

(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.)

Medical Insurance	\$	5,436	
Unemployment Compensation		90	
Communication		1,481	
Maintenance and Repair Services - Office Equipment		109	
Maintenance and Repair Services - Vehicles		246	
Gasoline		7,247	
Office Supplies		340	
Other Supplies and Materials		46	
Total Other Public Safety			\$ 43,990

Public Health and Welfare

Local Health Center

Salary Supplements	\$	15,471	
Other Salaries and Wages		122,855	
Social Security		8,902	
State Retirement		10,620	
Life Insurance		200	
Medical Insurance		9,808	
Unemployment Compensation		433	
Communication		18,317	
Dues and Memberships		200	
Operating Lease Payments		4,200	
Maintenance and Repair Services - Buildings		10,772	
Maintenance and Repair Services - Equipment		1,505	
Pest Control		1,078	
Postal Charges		6,538	
Travel		8,324	
Other Contracted Services		55,581	
Custodial Supplies		5,995	
Drugs and Medical Supplies		2,331	
Office Supplies		7,953	
Other Supplies and Materials		3,476	
Workers' Compensation Insurance		724	
Other Charges		913	
Other Capital Outlay		13,915	
Total Local Health Center			310,111

Ambulance/Emergency Medical Services

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

Other Local Health Services

Other Salaries and Wages	\$	292,854	
Social Security		20,004	
State Retirement		15,070	
Life Insurance		258	
Medical Insurance		23,782	
Unemployment Compensation		947	
Travel		8,208	
Liability Insurance		7,304	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Workers' Compensation Insurance	\$	1,725	
Other Charges		400	
Total Other Local Health Services			\$ 370,552

Aid to Dependent Children

Other Charges	\$	6,161	
Total Aid to Dependent Children			6,161

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Supervisor/Director	\$	24,983	
Social Workers		15,750	
Bus Drivers		15,935	
Secretary(ies)		21,777	
Social Security		5,386	
State Retirement		5,762	
Life Insurance		127	
Medical Insurance		16,622	
Unemployment Compensation		363	
Communication		3,855	
Contracts with Government Agencies		29,536	
Contributions		40,000	
Maintenance and Repair Services - Vehicles		194	
Rentals		1,754	
Transportation - Other than Students		7,521	
Travel		3,141	
Other Contracted Services		2,578	
Custodial Supplies		691	
Gasoline		385	
Office Supplies		549	
Utilities		5,152	
Workers' Compensation Insurance		508	
Other Charges		226	
Other Equipment		200	
Total Senior Citizens Assistance			202,995

Libraries

Contributions	\$	99,000	
Total Libraries			99,000

Parks and Fair Boards

Custodial Personnel	\$	23,639	
Maintenance Personnel		17,964	
Temporary Personnel		10,755	
Part-time Personnel		10,114	
Social Security		4,773	

(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.)

State Retirement	\$	3,823	
Life Insurance		100	
Medical Insurance		5,242	
Unemployment Compensation		389	
Communication		1,445	
Maintenance and Repair Services - Equipment		453	
Maintenance and Repair Services - Office Equipment		465	
Maintenance and Repair Services - Vehicles		725	
Rentals		2,660	
Other Contracted Services		475	
Crushed Stone		2,383	
Custodial Supplies		2,006	
Electricity		6,385	
Gasoline		6,607	
Office Supplies		13	
Propane Gas		819	
Small Tools		284	
Tires and Tubes		250	
Uniforms		268	
Water and Sewer		544	
Other Supplies and Materials		6,341	
Building Improvements		24,276	
Data Processing Equipment		1,319	
Office Equipment		114	
Other Equipment		7,609	
Other Capital Outlay		4,283	
Total Parks and Fair Boards			\$ 146,523

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$	9,324	
Salary Supplements		54,053	
Social Security		713	
Unemployment Compensation		84	
Communication		4,449	
Rentals		1,789	
Travel		1,922	
Workers' Compensation Insurance		33	
Other Charges		2,200	
Other Equipment		3,000	
Total Agriculture Extension Service			77,567

Forest Service

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

Soil Conservation

Clerical Personnel	\$	28,267	
Part-time Personnel		4,995	
Social Security		2,201	

(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 (Cont.)

State Retirement	\$	2,598	
Life Insurance		50	
Medical Insurance		7,796	
Unemployment Compensation		140	
Contracts with Other Public Agencies		3,500	
Total Soil Conservation			\$ 49,547

Storm Water Management

Part-time Personnel	\$	6,755	
Social Security		517	
Unemployment Compensation		68	
Dues and Memberships		300	
Travel		162	
Permits		3,460	
Workers' Compensation Insurance		218	
Total Storm Water Management			11,480

Other Operations

Tourism

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

Industrial Development

Supervisor/Director	\$	53,091	
Secretary(ies)		16,065	
Part-time Personnel		12,940	
Other Salaries and Wages		44,102	
Social Security		9,439	
State Retirement		9,765	
Life Insurance		107	
Medical Insurance		18,212	
Unemployment Compensation		324	
Accounting Services		3,775	
Advertising		500	
Communication		4,312	
Contributions		32,000	
Dues and Memberships		225	
Engineering Services		8,336	
Maintenance and Repair Services - Equipment		2,069	
Maintenance and Repair Services - Vehicles		151	
Rentals		1,026	
Other Contracted Services		300	
Electricity		14,605	
Gasoline		3,046	
Office Supplies		509	
Other Supplies and Materials		270	
Workers' Compensation Insurance		549	
Other Charges		51	
Maintenance Equipment		400	
Office Equipment		254	
Total Industrial Development			236,423

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Maintenance and Repair Services - Equipment	\$	4,866	
Permits		435	
Other Contracted Services		1,980	
Gasoline		306	
Other Supplies and Materials		186	
Airport Improvement		88,862	
Other Capital Outlay		22,514	
Total Airport			\$ 119,149

Veterans' Services

Supervisor/Director	\$	28,242	
Secretary(ies)		25,588	
Social Security		3,789	
State Retirement		4,947	
Life Insurance		100	
Medical Insurance		5,242	
Unemployment Compensation		180	
Communication		1,735	
Dues and Memberships		85	
Rentals		817	
Travel		3,816	
Other Contracted Services		399	
Office Supplies		794	
Total Veterans' Services			75,734

Contributions to Other Agencies

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

Employee Benefits

Medical Insurance	\$	60,205	
Total Employee Benefits			60,205

Miscellaneous

Contracts with Other Public Agencies	\$	7,438	
Contributions		32,000	
Operating Lease Payments		1,000	
Legal Services		3,409	
Other Contracted Services		1,800	
Other Supplies and Materials		136	
Trustee's Commission		169,159	
Other Charges		119	
Total Miscellaneous			215,061

Highways

Litter and Trash Collection

Overtime Pay	\$	384	
Other Salaries and Wages		27,584	
Social Security		2,133	
State Retirement		2,570	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

Life Insurance	\$	50	
Unemployment Compensation		90	
Communication		89	
Contracts with Other Public Agencies		8,000	
Travel		57	
Other Supplies and Materials		13,134	
Workers' Compensation Insurance		2,755	
Total Litter and Trash Collection			\$ 56,846

Principal on Debt

General Government

Principal on Capital Leases	\$	9,760	
Total General Government			9,760

Interest on Debt

General Government

Interest on Notes	\$	30	
Interest on Capital Leases		753	
Total General Government			783

Other Debt Service

General Government

Other Debt Issuance Charges	\$	23	
Total General Government			23

Capital Projects

General Administration Projects

Maintenance Agreements	\$	90,906	
Communication Equipment		212,771	
Total General Administration Projects			303,677

Total General Fund \$ 13,369,197

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	5,957	
Other Fringe Benefits		760	
Communication		185	
Dues and Memberships		100	
Travel		500	
Uniforms		99	
Trustee's Commission		10,966	
Workers' Compensation Insurance		194	
Total Sanitation Management			\$ 18,761

Waste Pickup

Truck Drivers	\$	99,169	
Overtime Pay		9,085	
Other Fringe Benefits		21,876	

(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.)

Waste Pickup (Cont.)

Communication	\$	271	
Maintenance and Repair Services - Vehicles		17,354	
Towing Services		100	
Gasoline		97,564	
Lubricants		3,697	
Tires and Tubes		19,609	
Uniforms		375	
Vehicle Parts		22,604	
Other Supplies and Materials		4,647	
Workers' Compensation Insurance		10,194	
Other Charges		135	
Total Waste Pickup			\$ 306,680

Convenience Centers

Laborers	\$	180,975	
Overtime Pay		3,555	
Other Fringe Benefits		56,131	
Communication		5,151	
Operating Lease Payments		4,300	
Maintenance and Repair Services - Equipment		23,941	
Rentals		5,632	
Crushed Stone		2,265	
Uniforms		748	
Utilities		6,856	
Other Supplies and Materials		12,024	
Workers' Compensation Insurance		21,354	
Other Equipment		438	
Total Convenience Centers			323,370

Other Waste Collection

Overtime Pay	\$	209	
Other Salaries and Wages		16,212	
Other Fringe Benefits		2,905	
Uniforms		99	
Workers' Compensation Insurance		2,088	
Other Charges		2	
Total Other Waste Collection			21,515

Recycling Center

Laborers	\$	16,271
Overtime Pay		92
Other Salaries and Wages		18,755
Other Fringe Benefits		16,712
Communication		805
Maintenance and Repair Services - Equipment		1,084
Maintenance and Repair Services - Office Equipment		584
Maintenance and Repair Services - Vehicles		963
Travel		157
Gasoline		2,495
Office Supplies		33

(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.)

Recycling Center (Cont.)

Tires and Tubes	\$	552	
Uniforms		146	
Utilities		7,368	
Other Supplies and Materials		2,183	
Workers' Compensation Insurance		3,448	
Building Improvements		4,902	
Other Equipment		320	
Total Recycling Center			\$ 76,870

Landfill Operation and Maintenance

Contracts for Landfill Facilities	\$	515,976	
Surcharge		33,176	
Total Landfill Operation and Maintenance			549,152

Other Waste Disposal

Disposal Fees	\$	30,918	
Total Other Waste Disposal			<u>30,918</u>

Total Solid Waste/Sanitation Fund \$ 1,327,266

Drug Control Fund

Public Safety

Drug Enforcement

Overtime Pay	\$	17,778	
In-Service Training		912	
Other Fringe Benefits		3,631	
Communication		3,478	
Confidential Drug Enforcement Payments		10,000	
Maintenance and Repair Services - Vehicles		2,212	
Towing Services		495	
Veterinary Services		586	
Other Contracted Services		4,069	
Animal Food and Supplies		780	
Electricity		641	
Office Supplies		1,506	
Uniforms		1,822	
Other Supplies and Materials		2,863	
Trustee's Commission		967	
Other Charges		275	
Data Processing Equipment		4,738	
Law Enforcement Equipment		50,705	
Total Drug Enforcement			<u>\$ 107,458</u>

Total Drug Control Fund 107,458

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	8,336	
Constitutional Officers' Operating Expenses		165,795	
Total Chancery Court			\$ 174,131

(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	\$ 282	
Total Sheriff's Department		\$ 282

Total Constitutional Officers - Fees Fund \$ 174,413

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 77,629	
Secretary(ies)	52,030	
Overtime Pay	400	
Communication	4,714	
Dues and Memberships	3,373	
Laundry Service	1,987	
Legal Notices, Recording, and Court Costs	465	
Maintenance Agreements	4,537	
Maintenance and Repair Services - Vehicles	40	
Pest Control	160	
Printing, Stationery, and Forms	369	
Rentals	2,172	
Travel	1,041	
Other Contracted Services	1,605	
Custodial Supplies	233	
Drugs and Medical Supplies	135	
Electricity	9,609	
Natural Gas	2,737	
Office Supplies	2,049	
Water and Sewer	475	
Other Charges	48	
Total Administration		\$ 165,808

Highway and Bridge Maintenance

Foremen	\$ 33,040
Equipment Operators	213,889
Truck Drivers	144,943
Laborers	173,047
Temporary Personnel	138,983
Overtime Pay	24,212
Laundry Service	10,568
Rentals	14,549
Other Contracted Services	591,700
Asphalt - Hot Mix	22,131
Asphalt - Liquid	248,624
Concrete	2,101
Crushed Stone	203,781
Pipe - Metal	64,994
Road Signs	14,134
Salt	3,930
Structural Steel	565
Wood Products	336

(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.)

Other Supplies and Materials	\$	5,582	
Other Charges		65	
Total Highway and Bridge Maintenance			\$ 1,911,174

Operation and Maintenance of Equipment

Foremen	\$	33,784	
Mechanic(s)		90,549	
Overtime Pay		1,630	
Laundry Service		2,287	
Maintenance and Repair Services - Equipment		6,227	
Maintenance and Repair Services - Vehicles		170	
Rentals		1,689	
Diesel Fuel		128,229	
Equipment and Machinery Parts		69,907	
Garage Supplies		907	
Gasoline		78,221	
Lubricants		9,479	
Small Tools		140	
Tires and Tubes		27,334	
Other Supplies and Materials		2,647	
Other Charges		80	
Other Equipment		4,439	
Total Operation and Maintenance of Equipment			457,719

Other Charges

Evaluation and Testing	\$	1,865	
Trustee's Commission		48,216	
Workers' Compensation Insurance		90,838	
Total Other Charges			140,919

Employee Benefits

Social Security	\$	70,718	
State Retirement		77,641	
Life Insurance		1,575	
Medical Insurance		119,584	
Unemployment Compensation		12,563	
Total Employee Benefits			282,081

Capital Outlay

Engineering Services	\$	69,249	
Bridge Construction		16,233	
Communication Equipment		2,514	
Highway Equipment		22,340	
Motor Vehicles		40,099	
State Aid Projects		484,757	
Total Capital Outlay			635,192

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	440	
Total Highways and Streets			440

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	34	
Total Highways and Streets			\$ 34

Capital Projects

Public Safety Projects

Maintenance Agreements	\$	4,094	
Communication Equipment		9,583	
Total Public Safety Projects			13,677

Total Highway/Public Works Fund \$ 3,607,044

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	35,000	
Principal on Notes		16,088	
Principal on Other Loans		335,000	
Total General Government			\$ 386,088

Interest on Debt

General Government

Interest on Bonds	\$	20,729	
Interest on Notes		7,109	
Interest on Other Loans		637,567	
Total General Government			665,405

Other Debt Service

General Government

Fiscal Agent Charges	\$	849	
Trustee's Commission		17,611	
Other Debt Service		425	
Total General Government			18,885

Total General Debt Service Fund 1,070,378

Special Debt Service Fund

Principal on Debt

Highways and Streets

Principal on Bonds	\$	140,000	
Total Highways and Streets			\$ 140,000

Interest on Debt

Highways and Streets

Interest on Bonds	\$	96,190	
Total Highways and Streets			96,190

Other Debt Service

Highways and Streets

Fiscal Agent Charges	\$	795	
Trustee's Commission		3,444	
Other Debt Service		75	
Total Highways and Streets			4,314

Total Special Debt Service Fund 240,504

(Continued)

Exhibit J-7

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

<u>Education Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>Education</u>			
Principal on Bonds	\$	1,225,000	
Principal on Notes		123,000	
Principal on Other Loans		807,791	
Total Education			\$ 2,155,791
<u>Interest on Debt</u>			
<u>Education</u>			
Interest on Bonds	\$	1,676,243	
Interest on Notes		14,327	
Interest on Other Loans		1,233,749	
Total Education			2,924,319
<u>Other Debt Service</u>			
<u>Education</u>			
Fiscal Agent Charges	\$	10,072	
Trustee's Commission		74,136	
Other Debt Service		236,097	
Total Education			320,305
Total Education Debt Service Fund			\$ 5,400,415
<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>General Administration Projects</u>			
Architects	\$	19,013	
Rentals		460	
Other Contracted Services		18,398	
Other Supplies and Materials		176	
Building Improvements		19,888	
Furniture and Fixtures		15,890	
Other Equipment		15,391	
Other Capital Outlay		12,084	
Total General Administration Projects			\$ 101,300
Total General Capital Projects Fund			101,300
<u>Highway Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Highway and Street Capital Projects</u>			
Other Contracted Services	\$	736,409	
Crushed Stone		4,498	
Total Highway and Street Capital Projects			\$ 740,907
Total Highway Capital Projects Fund			740,907
<u>Other Capital Projects - QSCB Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	1,167,979	
Total Education Capital Projects			\$ 1,167,979
Total Other Capital Projects - QSCB Fund			1,167,979
Total Governmental Funds - Primary Government			\$ 27,306,861

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, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	17,825,471	
Career Ladder Program		113,538	
Career Ladder Extended Contracts		33,268	
Homebound Teachers		77,994	
Educational Assistants		829,003	
Bonus Payments		249,500	
Other Salaries and Wages		9,268	
Certified Substitute Teachers		49,266	
Non-certified Substitute Teachers		204,963	
Social Security		1,116,591	
State Retirement		1,655,938	
Life Insurance		71,805	
Medical Insurance		2,772,648	
Employer Medicare		265,786	
Other Contracted Services		157,573	
Instructional Supplies and Materials		265,100	
Textbooks		291,401	
Other Supplies and Materials		1,198	
Fee Waivers		129,008	
Other Charges		19,113	
Regular Instruction Equipment		184,590	
Total Regular Instruction Program			\$ 26,323,022

Alternative Instruction Program

Teachers	\$	153,076	
Career Ladder Program		1,000	
Educational Assistants		23,597	
Bonus Payments		3,000	
Non-certified Substitute Teachers		2,448	
Social Security		10,512	
State Retirement		16,120	
Life Insurance		1,008	
Medical Insurance		35,428	
Employer Medicare		2,458	
Instructional Supplies and Materials		2,320	
Other Charges		175	
Total Alternative Instruction Program			251,142

Special Education Program

Teachers	\$	2,259,280
Career Ladder Program		18,985
Career Ladder Extended Contracts		5,570
Homebound Teachers		131,705
Educational Assistants		499,027
Speech Pathologist		122,317
Bonus Payments		53,500
Other Salaries and Wages		104,345
Certified Substitute Teachers		5,390
Non-certified Substitute Teachers		54,492

(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 (Cont.)

Social Security	\$	179,407	
State Retirement		270,326	
Life Insurance		15,173	
Medical Insurance		631,290	
Employer Medicare		43,691	
Evaluation and Testing		150	
Other Contracted Services		6,221	
Total Special Education Program			\$ 4,400,869

Vocational Education Program

Teachers	\$	967,222	
Career Ladder Program		4,000	
Bonus Payments		12,500	
Certified Substitute Teachers		990	
Non-certified Substitute Teachers		12,051	
Social Security		57,998	
State Retirement		87,328	
Life Insurance		3,592	
Medical Insurance		159,790	
Employer Medicare		13,564	
Travel		1,798	
Instructional Supplies and Materials		9,762	
Other Supplies and Materials		7,489	
Total Vocational Education Program			1,338,084

Adult Education Program

Teachers	\$	55,840	
Bonus Payments		500	
Social Security		2,668	
State Retirement		3,974	
Life Insurance		144	
Medical Insurance		4,658	
Employer Medicare		792	
Instructional Supplies and Materials		2,789	
Total Adult Education Program			71,365

Support Services

Attendance

Supervisor/Director	\$	63,849	
Bonus Payments		1,500	
Other Salaries and Wages		55,669	
Social Security		7,234	
State Retirement		10,922	
Life Insurance		418	
Medical Insurance		9,091	
Employer Medicare		1,692	
Travel		8,901	
Other Supplies and Materials		1,825	
Total Attendance			161,101

(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

Medical Personnel	\$	316,914	
Bonus Payments		7,000	
Other Salaries and Wages		115,726	
Social Security		24,394	
State Retirement		38,760	
Life Insurance		2,014	
Medical Insurance		112,250	
Employer Medicare		5,705	
Maintenance and Repair Services - Equipment		599	
Travel		8,834	
Other Contracted Services		6,713	
Drugs and Medical Supplies		19,854	
Other Supplies and Materials		44,286	
In Service/Staff Development		2,429	
Other Charges		20,574	
Health Equipment		19,775	
Total Health Services			\$ 745,827

Other Student Support

Career Ladder Program	\$	5,582	
Guidance Personnel		1,065,446	
Career Ladder Extended Contracts		11,850	
Secretary(ies)		61,492	
Bonus Payments		14,500	
Other Salaries and Wages		55,239	
Social Security		71,369	
State Retirement		107,851	
Life Insurance		4,180	
Medical Insurance		152,625	
Employer Medicare		16,691	
Evaluation and Testing		16,891	
Other Contracted Services		118,427	
Other Supplies and Materials		41,531	
Other Charges		31,768	
Total Other Student Support			1,775,442

Regular Instruction Program

Supervisor/Director	\$	311,966	
Career Ladder Program		16,995	
Career Ladder Extended Contracts		9,922	
Librarians		780,936	
Educational Assistants		33,928	
Bonus Payments		17,000	
Other Salaries and Wages		194,438	
Social Security		80,283	
State Retirement		121,064	
Life Insurance		4,225	
Medical Insurance		183,278	
Employer Medicare		18,776	

(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.)

Travel	\$	38,876	
Other Contracted Services		102,270	
Library Books/Media		46,432	
Other Supplies and Materials		10,064	
In Service/Staff Development		29,695	
Other Charges		2,913	
Other Equipment		142,512	
Total Regular Instruction Program			\$ 2,145,573

Special Education Program

Supervisor/Director	\$	137,064	
Career Ladder Program		5,000	
Psychological Personnel		111,234	
Assessment Personnel		43,042	
Secretary(ies)		32,444	
Bonus Payments		3,000	
Other Salaries and Wages		18,228	
Social Security		20,993	
State Retirement		31,240	
Life Insurance		916	
Medical Insurance		30,864	
Employer Medicare		4,910	
Travel		9,808	
Other Contracted Services		4,888	
Other Supplies and Materials		2,466	
Total Special Education Program			456,097

Vocational Education Program

Supervisor/Director	\$	32,880	
Social Security		1,922	
State Retirement		2,920	
Life Insurance		72	
Medical Insurance		6,012	
Employer Medicare		450	
Travel		1,815	
Total Vocational Education Program			46,071

Adult Programs

Supervisor/Director	\$	51,350	
Bonus Payments		500	
Social Security		2,942	
State Retirement		4,604	
Life Insurance		141	
Medical Insurance		4,562	
Employer Medicare		688	
Travel		16	
In Service/Staff Development		4,380	
Total Adult Programs			69,183

(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.)

Other Programs

On-Behalf Payments to OPEB	\$ 379,669	
Total Other Programs		\$ 379,669

Board of Education

Secretary to Board	\$ 500	
Other Salaries and Wages	12,050	
Social Security	776	
State Retirement	961	
Life Insurance	32,764	
Medical Insurance	393,832	
Unemployment Compensation	67,213	
Employer Medicare	182	
Audit Services	27,000	
Dues and Memberships	14,432	
Legal Services	10,514	
Travel	20,869	
Other Supplies and Materials	273	
Liability Insurance	451,923	
Trustee's Commission	250,417	
Workers' Compensation Insurance	327,526	
Fines, Assessments, and Penalties	166,887	
Other Charges	1,929	
Total Board of Education		1,780,048

Director of Schools

County Official/Administrative Officer	\$ 88,250	
Career Ladder Program	2,000	
Career Ladder Extended Contracts	1,000	
Secretary(ies)	115,340	
Bonus Payments	3,000	
Other Salaries and Wages	15,846	
Social Security	13,252	
State Retirement	19,591	
Life Insurance	856	
Medical Insurance	29,809	
Employer Medicare	3,099	
Advertising	140	
Communication	38,155	
Postal Charges	28	
Travel	8,988	
Other Contracted Services	20,616	
Office Supplies	4,567	
Other Supplies and Materials	2,407	
Other Charges	2,970	
Total Director of Schools		369,914

Office of the Principal

Principals	\$ 1,088,747
Career Ladder Program	16,000

(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.)

Office of the Principal (Cont.)

Career Ladder Extended Contracts	\$	7,608	
Assistant Principals		627,002	
Secretary(ies)		472,635	
Bonus Payments		37,500	
Other Salaries and Wages		269,798	
Social Security		143,071	
State Retirement		225,270	
Life Insurance		10,895	
Medical Insurance		513,658	
Employer Medicare		33,553	
Other Charges		4,820	
Total Office of the Principal			\$ 3,450,557

Fiscal Services

Supervisor/Director	\$	50,911	
Accountants/Bookkeepers		114,704	
Bonus Payments		2,500	
Social Security		9,478	
State Retirement		15,394	
Life Insurance		720	
Medical Insurance		32,892	
Employer Medicare		2,217	
Other Contracted Services		42,117	
Office Supplies		1,664	
Total Fiscal Services			272,597

Human Services/Personnel

Supervisor/Director	\$	36,212	
Secretary(ies)		25,064	
Bonus Payments		500	
Social Security		3,739	
State Retirement		5,565	
Life Insurance		215	
Medical Insurance		4,658	
Employer Medicare		874	
Advertising		738	
Total Human Services/Personnel			77,565

Operation of Plant

Custodial Personnel	\$	1,061,435	
Bonus Payments		28,500	
Other Salaries and Wages		45,465	
Social Security		64,007	
State Retirement		95,576	
Life Insurance		7,553	
Medical Insurance		221,537	
Employer Medicare		15,195	
Travel		5,251	
Other Contracted Services		288,089	

(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.)

Operation of Plant (Cont.)

Custodial Supplies	\$	81,087	
Electricity		1,348,199	
Natural Gas		236,070	
Water and Sewer		175,387	
Other Supplies and Materials		18,004	
In Service/Staff Development		3,190	
Other Charges		4,709	
Total Operation of Plant			\$ 3,699,254

Maintenance of Plant

Supervisor/Director	\$	48,786	
Secretary(ies)		23,044	
Maintenance Personnel		554,737	
Bonus Payments		10,500	
Social Security		36,940	
State Retirement		56,861	
Life Insurance		2,866	
Medical Insurance		114,033	
Employer Medicare		8,639	
Communication		2,200	
Maintenance and Repair Services - Equipment		1,702	
Other Contracted Services		155,627	
Other Supplies and Materials		90,145	
Maintenance Equipment		70,798	
Total Maintenance of Plant			1,176,878

Transportation

Other Salaries and Wages	\$	37,390	
Social Security		2,088	
State Retirement		3,377	
Employer Medicare		488	
Contracts with Parents		7,545	
Transportation Equipment		384,820	
Total Transportation			435,708

Central and Other

Bonus Payments	\$	131,500	
Other Salaries and Wages		4,000	
Social Security		7,646	
State Retirement		11,896	
Employer Medicare		1,795	
Total Central and Other			156,837

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	2,000	
Social Security		121	
State Retirement		184	
Employer Medicare		28	
Total Food Service			2,333

(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

Supervisor/Director	\$	56,616	
Teachers		150,363	
Clerical Personnel		19,499	
Educational Assistants		39,148	
Bonus Payments		5,000	
Social Security		15,230	
State Retirement		24,221	
Life Insurance		1,440	
Medical Insurance		62,379	
Employer Medicare		3,562	
Travel		1,782	
Other Contracted Services		2,810	
Instructional Supplies and Materials		2,397	
Other Supplies and Materials		2,562	
Other Equipment		3,706	
Total Early Childhood Education			\$ 390,715

Capital Outlay

Regular Capital Outlay

Architects	\$	12,321	
Building Improvements		475,564	
Other Capital Outlay		480,286	
Total Regular Capital Outlay			968,171

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	515,449	
Total Education			515,449

Total General Purpose School Fund \$ 51,459,471

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	401,514	
Educational Assistants		291,480	
Other Salaries and Wages		45,313	
Certified Substitute Teachers		385	
Non-certified Substitute Teachers		11,121	
Social Security		42,430	
State Retirement		64,586	
Life Insurance		5,317	
Medical Insurance		175,542	
Employer Medicare		9,926	
Maintenance and Repair Services - Equipment		1,138	
Travel		905	
Other Contracted Services		84,546	
Instructional Supplies and Materials		320,717	
Other Supplies and Materials		68,258	
Regular Instruction Equipment		605,035	
Total Regular Instruction Program			\$ 2,128,213

(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.)

Special Education Program

Teachers	\$	332,403	
Educational Assistants		488,272	
Other Salaries and Wages		610	
Social Security		45,423	
State Retirement		72,580	
Life Insurance		6,996	
Medical Insurance		240,764	
Employer Medicare		10,623	
Evaluation and Testing		150,807	
Maintenance and Repair Services - Equipment		102	
Other Contracted Services		18,229	
Instructional Supplies and Materials		38,861	
Special Education Equipment		62	
Total Special Education Program			\$ 1,405,732

Vocational Education Program

Instructional Supplies and Materials	\$	65,096	
Vocational Instruction Equipment		110,218	
Total Vocational Education Program			175,314

Support Services

Health Services

Other Salaries and Wages	\$	47,000	
Social Security		2,514	
State Retirement		4,174	
Life Insurance		144	
Medical Insurance		7,446	
Employer Medicare		588	
Health Equipment		2,756	
Total Health Services			64,622

Other Student Support

Other Salaries and Wages	\$	128,395	
Social Security		7,632	
State Retirement		10,491	
Life Insurance		288	
Medical Insurance		11,031	
Employer Medicare		1,785	
Evaluation and Testing		10,595	
Travel		40,125	
Other Contracted Services		2,000	
Other Supplies and Materials		13,137	
In Service/Staff Development		5,344	
Other Charges		58,200	
Other Equipment		1,939	
Total Other Student Support			290,962

Regular Instruction Program

Supervisor/Director	\$	68,277	
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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.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Instructional Computer Personnel	\$	39,229	
Secretary(ies)		19,509	
Other Salaries and Wages		390,080	
Social Security		30,195	
State Retirement		45,968	
Life Insurance		1,440	
Medical Insurance		66,461	
Employer Medicare		7,062	
Consultants		13,191	
Travel		67,362	
Other Contracted Services		62,126	
Library Books/Media		21,584	
Other Supplies and Materials		30,685	
In Service/Staff Development		146,274	
Other Charges		10,597	
Other Equipment		15,326	
Total Regular Instruction Program			\$ 1,035,366

Special Education Program

Assessment Personnel	\$	50,100	
Social Security		3,106	
State Retirement		4,449	
Life Insurance		144	
Employer Medicare		726	
Maintenance and Repair Services - Equipment		1,210	
Travel		28,835	
Other Contracted Services		36,578	
Other Supplies and Materials		34,719	
In Service/Staff Development		50,608	
Other Charges		5,508	
Other Equipment		34,006	
Total Special Education Program			249,989

Vocational Education Program

Travel	\$	866	
Total Vocational Education Program			866

Transportation

Bus Drivers	\$	4,554	
Social Security		282	
State Retirement		419	
Employer Medicare		66	
Contracts with Parents		9,699	
Diesel Fuel		3,059	
Transportation Equipment		61,941	
Total Transportation			80,020

Total School Federal Projects Fund \$ 5,431,084

(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

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,307	
Accountants/Bookkeepers		19,203	
Clerical Personnel		46,619	
Cafeteria Personnel		1,101,302	
Social Security		67,916	
State Retirement		97,944	
Life Insurance		16,197	
Medical Insurance		311,254	
Employer Medicare		15,884	
Communication		9,294	
Maintenance and Repair Services - Equipment		44,775	
Travel		4,088	
Other Contracted Services		221,944	
Food Preparation Supplies		129,805	
Food Supplies		1,160,337	
Office Supplies		14,389	
Uniforms		4,876	
USDA - Commodities		202,965	
Other Supplies and Materials		1,223	
In Service/Staff Development		808	
Other Charges		2,024	
Food Service Equipment		21,226	
Total Food Service			\$ 3,542,380

Total Central Cafeteria Fund \$ 3,542,380

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	31,994	
Total Board of Education			\$ 31,994

Transportation

Supervisor/Director	\$	47,704
Mechanic(s)		221,604
Bus Drivers		916,802
Clerical Personnel		60,025
Social Security		68,131
State Retirement		99,052
Life Insurance		11,369
Medical Insurance		298,254
Employer Medicare		16,574
Communication		6,754
Maintenance and Repair Services - Vehicles		9,385
Medical and Dental Services		6,720
Travel		347
Other Contracted Services		14,588
Gasoline		976,664
Lubricants		13,847

(Continued)

Exhibit J-8

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

<u>School Transportation Fund (Cont.)</u>			
<u>Support Services (Cont.)</u>			
<u>Transportation (Cont.)</u>			
Tires and Tubes	\$	52,596	
Vehicle Parts		157,911	
Other Supplies and Materials		6,115	
Other Charges		23,514	
Total Transportation			\$ 3,007,956
<u>Other Debt Service</u>			
<u>Education</u>			
Debt Service Contribution to Primary Government	\$	407,099	
Total Education			407,099
Total School Transportation Fund			\$ 3,447,049
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Architects	\$	32,641	
Building Construction		6,972	
Total Education Capital Projects			\$ 39,613
Total Education Capital Projects Fund			39,613
<u>Other Capital Projects - QSCB Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Architects	\$	49,861	
Building Improvements		1,080,968	
Other Capital Outlay		18,000	
Total Education Capital Projects			\$ 1,148,829
Total Other Capital Projects - QSCB Fund			1,148,829
Total Governmental Funds - Hawkins County School Department			<u>\$ 65,068,426</u>

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, 2013

	Cities - Sales Tax Fund	City School ADA - Rogersville Fund	City School ADA - Kingsport Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 667,567	\$ 433,958	\$ 1,101,525
Trustee's Collections - Prior Years	0	32,000	20,803	52,803
Trustee's Collections - Bankruptcy	0	595	392	987
Circuit/Clerk and Master Collections - Prior Year	0	20,062	13,092	33,154
Interest and Penalty	0	5,435	3,534	8,969
Pick-up Taxes	0	843	548	1,391
Payments In-Lieu-of Taxes	0	687	448	1,135
Local Option Sales Tax	3,627,461	335,995	221,719	4,185,175
Wheel Tax	0	17,303	11,499	28,802
Bank Excise Tax	0	1,161	754	1,915
Interstate Telecommunications Tax	0	352	233	585
Marriage Licenses	0	313	192	505
Investment Income	0	27	18	45
Other Local Revenues	0	14	9	23
Total Cash Receipts	\$ 3,627,461	\$ 1,082,354	\$ 707,199	\$ 5,417,014
<u>Cash Disbursements</u>				
Remittance of Revenues Collected	\$ 3,591,186	\$ 1,351,353	\$ 699,504	\$ 5,642,043
Trustee's Commissions	36,275	14,521	9,443	60,239
Total Cash Disbursements	\$ 3,627,461	\$ 1,365,874	\$ 708,947	\$ 5,702,282
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ (283,520)	\$ (1,748)	\$ (285,268)
Cash Balance, July 1, 2012	0	319,923	26,707	346,630
Cash Balance, June 30, 2013	\$ 0	\$ 36,403	\$ 24,959	\$ 61,362

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise Hawkins County's basic financial statements, and have issued our report thereon dated December 19, 2013. Our report includes a reference to other auditors who audited the financial statements of the Hawkins County Emergency Communications District, as described in our report on Hawkins County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hawkins County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Hawkins County's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency: 2013-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawkins County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001, 2013-003, 2013-004, and 2013-005.

Hawkins County's Responses to Findings

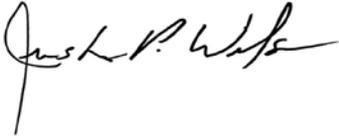
Hawkins County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Hawkins County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering

Hawkins County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 19, 2013

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hawkins County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hawkins County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hawkins County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Hawkins County's compliance.

Opinion on Each Major Federal Program

In our opinion, Hawkins County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Hawkins County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hawkins County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

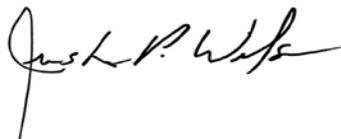
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Hawkins County's basic financial statements. We issued our report thereon dated December 19, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 19, 2013

JPW/yu

Hawkins County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.776	(2)	\$ 8,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	549,013
National School Lunch Program	10.555	N/A	1,777,957 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	<u>202,965 (3)</u>
Total U.S. Department of Agriculture			<u>\$ 2,537,935</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 2,323,438
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,625,964
Special Education - Preschool Grants	84.173	N/A	13,145
Career and Technical Education - Basic Grants to States	84.048	N/A	216,180
Twenty-first Century Community Learning Centers	84.287	N/A	43,468
English Language Acquisition Grants	84.365	N/A	7,157
Improving Teacher Quality State Grants	84.367	N/A	564,836
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top			
Incentive Grants, Recovery Act	84.395	N/A	653,499
Passed-through State Department of Labor and Workforce			
Development:			
Adult Education - Basic Grants to States	84.002	(2)	<u>89,255</u>
Total U.S. Department of Education			<u>\$ 5,536,942</u>
U.S. Department of Health and Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	579	\$ 35,600
Homeland Security Grant Program	97.067	5829	<u>146,393</u>
Total U.S. Department of Health and Homeland Security			<u>\$ 181,993</u>
Total Expenditures of Federal Awards			<u>\$ 8,256,870</u>

(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	Contract Number	Expenditures
<u>State Grants</u>			
Airport Maintenance Program - State Department of Transportation	N/A	AERO-M13-320	\$ 1,946
Aging Program - First Tennessee Development District	N/A	(2)	36,716
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-212939-02	17,034
Health Department Program - State Department of Health	N/A	(2)	392,474
State Aid Program - State Department of Transportation	N/A	(2)	380,353
Litter Program - State Department of Transportation	N/A	(4)	50,640
Early Childhood Education - State Department of Education	N/A	(2)	392,669
Connect TN - State Department of Education	N/A	(2)	24,171
Art Student Ticket Subsidy - Tennessee Arts Commission through State Department of Education	N/A	(2)	4,820
Adult Basic Education - State Department of Education	N/A	(2)	29,752
Coordinated School Health - State Department of Education	N/A	(2)	105,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	40,000
Statewide Student Management System - State Department of Education	N/A	(2)	18,971
Driver's Education - State Department of Education	N/A	(2)	<u>3,355</u>
 Total State Grants			 <u>\$ 1,527,513</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) Total for CFDA #10.555 is \$1,980,922.
- (4) 37-500-4079-04: \$19,383; 37-500-4013-04: \$31,257.

Hawkins County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. The following finding from the Annual Financial Report for Hawkins County, Tennessee, for the year ended June 30, 2012, has not been corrected.

OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.02	180	Used vehicles were purchased without obtaining competitive bids

HAWKINS COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Hawkins County is unmodified.
2. The audit of the financial statements of Hawkins County disclosed a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Hawkins County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and State Fiscal Stabilization Funds – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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 county mayor, director of schools, and clerk and master provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-001

PAYROLL TAXES WERE NOT REPORTED TIMELY TO THE INTERNAL REVENUE SERVICE RESULTING IN INTEREST AND PENALTY ASSESSMENTS TOTALING \$166,886

(Material Noncompliance Under *Government Auditing Standards*)

On May 28, 2013 and May 30, 2013, the former Hawkins County School Finance Director issued checks totaling \$166,886 to the Internal Revenue Service (IRS) for interest and penalty assessed for the failure to timely report employee payroll taxes. Hawkins County and the Hawkins County School Department maintained a combined payroll tax bank account to deposit employee payroll taxes due the IRS and are required to notify the IRS of these deposits so the IRS can make withdrawals from the account. The finance director failed to notify the IRS of its deposits of payroll taxes for November 15, 2012 and March 15, 2013. Consequently, the IRS did not withdraw the amounts deposited. The bank statements reflected large ending balances, but the balances were never investigated to determine the reason for those balances until notified of the penalty and interest assessments.

Since the expenditures for this interest and penalty were not appropriated by either the Hawkins County Board of Education or the Hawkins County Commission, expenditures exceeded appropriations in the School Board major appropriation category by \$104,947 in the General Purpose School Fund. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Federal payroll taxes should be reported timely to the IRS to avoid interest and penalty assessments. Balances in the payroll tax bank account should be reconciled each month with deposits and withdrawals to ensure that all required deposits and IRS withdrawals have been made. All expenditures should be appropriated by the Board of Education and County Commission.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The previous Finance Director is no longer employed by the Board of Education. Internal controls have been implemented to ensure tax deposits are paid in a timely fashion. A separate bank account has been opened specifically for federal tax deposits of the School Department, and the bank statement is now sent directly to the Board of Education to reconcile and verify monthly payments. A letter of appeal has been received and is being reviewed by the Internal Revenue Service (IRS).

FINDING 2013-002

DEFICIENCIES WERE NOTED WITH PAYMENTS AND TIME SHEETS OF BUS DRIVERS WHO HAVE OTHER FULL-TIME POSITIONS WITH THE HAWKINS COUNTY BOARD OF EDUCATION

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

We received an allegation of potential overpayments resulting from certain full-time maintenance employees being paid both as maintenance employees and as school bus drivers for the same hours. We reviewed the records related to the maintenance employees and extended our procedures to include all bus drivers who were also employed by the School Department in other positions. Based on those procedures we were able to determine the following:

- A. Three full-time maintenance employees who were also regular bus drivers were overpaid at least 30 minutes a day when school was in session. The employees' time sheets reflected that they normally worked from 7:00 a.m. until 3:00 p.m. when school was not in session and from 7:30 a.m. until 3:00 p.m. when school was in session. The Finance Department failed to deduct the 30 minutes per day when calculating their payroll checks. This error resulted in the three employees being overpaid a total of approximately \$4,478. This is in addition to any additional time that might have been overpaid due to deficiencies reported in part B below.
- B. We determined that a total of seven full-time employees were employed by the School Department as either regular or substitute bus drivers. These included the three maintenance employees (noted in part A), three transportation employees (a secretary and two mechanics) who were substitute bus drivers, and one custodian who was a regular bus driver. Based on information provided to us, the employees' time sheets did not reflect the actual time worked, instead the employees' time sheets reflected the hours scheduled to work. In most instances the times actually worked varied due to the time required to commute between the schools and bus garage. Most of the employees stated that they worked additional hours to make up for the time lost; however, no documentation was maintained reflecting the additional time worked. This deficiency is due to the School

Department not requiring the employees to reflect the actual hours worked but rather the hours scheduled to work on their time sheets.

This finding has been reviewed with the district attorney general. The Tennessee Bureau of Investigation is also currently investigating this issue at the request of the district attorney general.

RECOMMENDATION

Employees should only be paid for the hours worked. Employees should reflect the actual hours worked on their time sheets instead of the hours scheduled to work. The School Department should consider installing a time clock to document the actual hours worked. County officials should review these discrepancies in reported time and collect any overpayments made to the employees.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Time sheets now reflect actual hours worked. Maintenance hours for employment have been firmly set from 7 a.m. until 3 p.m., and morning bus routes are no longer permitted for these employees.

FINDING 2013-003

TWO SCHOOL BOARD MEMBERS DID NOT DISCLOSE POTENTIAL INDIRECT CONFLICTS OF INTEREST (Noncompliance Under *Government Auditing Standards*)

We received an allegation regarding a potential conflict of interest involving a school board member. Based on the records we reviewed, at least two school board members, Debbie Shedden and Michael Williams, have potential indirect conflicts of interest since the School Department expended \$33,613.37 and \$15,558.02 from School Department funds for supplies purchased from the board members' employers, respectively. Section 12-4-101(b), *Tennessee Code Annotated*, states that "It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county ... shall or may be interested, to be indirectly interested in any such contract unless the officer public acknowledges such officer's interest." In Opinion No. 10-46, the state attorney general opined that "Where an individual merely works for a business that contracts with the school board, that individual may be indirectly interested in the contract. The individual is not forbidden from being a school board member, but must disclose the indirect interest."

Our review of school board minutes did not locate evidence that Ms. Shedden or Mr. Williams made any disclosures of the indirect conflict of interest that they have by being employed by DBR Metal Roofing Supply, Inc and Henard Lumber Company, respectively.

RECOMMENDATION

County officials should review the above noted statutes and opinions and ensure that all indirect conflicts of interest are appropriately disclosed.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Hawkins County Board of Education members acknowledge at the beginning of each board meeting all direct and indirect conflicts of interest in a statement by the board's attorney. In addition, evidence of disclosures of an indirect conflict of interest of any board member will be appropriately disclosed.

OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

FINDING 2013-004

THE OFFICE HAD DEFICIENCIES IN THE PURCHASE OF TWO USED VEHICLES

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures to obtain reasonable assurance that bid procedures were properly followed as required by governing laws, we selected seven purchases that were just below or exceeded the \$10,000 bid limit. Our examination revealed the following deficiency, which was also noted in the prior-year audit report.

The School Maintenance Department purchased a used truck for \$12,500 and a used van for \$11,498. Four separate purchase orders were issued for these vehicles in July and August 2012, and four separate checks were written for payments in August 2012 to the same dealership apparently in an attempt to circumvent the county's bid requirements. The Board of Education approved the purchase of the vehicles in July 2012 and August 2012; however, the approved purchases were only for \$9,990 and \$9,998. Two separate checks were written for payment of the total purchase price of each vehicle; one check for the vehicle and one check for the accompanying equipment. Documentation on file for the checks written disclosed that separate checks for \$9,990 dated August 3, 2012, and \$2,510 dated August 14, 2012, were made for the purchase of the truck and accompanying toolbox, and that separate checks for \$9,998 dated August 24, 2012, and \$1,500 dated August 31, 2012, were made for the purchase of the van and accompanying ladder rack and metal shelves. A separate bill of sale was issued for each of the four payments. The bills of sale related to the truck were both dated August 3, 2012, and the bills of sale related to the van were both dated August 15, 2012. The purchase price and sale date noted on the backside of the title for the truck was \$12,500 and August 3, 2012, and for the van was \$11,500 and August 16, 2012, respectively. See the table below for details of the purchases:

Purchase Order Date	Purchase Order Number	Vendor	Amount	Bill of Sale Date	Check Date	Title Date
<u>2004 F250 Super Duty XL</u>						
7-16-12	E 33024	Eddie's Auto Sales	\$ 9,990	8-3-12	8-3-12	8-3-12
7-23-12	E 33123	Eddie's Auto Sales	2,510	8-3-12	8-3-12	
		Total	<u>\$ 12,500</u>			
<u>2007 Chevrolet Express Van</u>						
8-15-12	E 33300	Eddie's Auto Sales	\$ 9,998	8-16-12	8-24-12	8-16-12
8-15-12	E 33309	Eddie's Auto Sales	1,500	8-16-12	8-31-12	
		Total	<u>\$ 11,498</u>			

We were unable to determine if any equipment was actually added to either vehicle after the purchase; however, since the vehicles were used and due to the purchase prices listed on the titles, we believe the equipment was already on the vehicles when purchased. Therefore, it appears that the payments for the vehicles were separated in order to circumvent the bid requirements of Hawkins County and the Hawkins County School Department. 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. This act provides 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. Because the purchases were for used vehicles, Section 12-3-1003, *Tennessee Code Annotated (TCA)*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met; however, these conditions were not documented.

RECOMMENDATION

All purchases should be made in compliance with provisions of Chapter 256, Private Acts of 1957, as amended and Section 12-3-1202, *TCA*. Multiple purchase orders and checks should not be written in an attempt to circumvent the department's purchasing requirements.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We will be revising our policy to ensure compliance with the statutes related to the purchase of used vehicles.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

All future purchases will be made in compliance with provisions of Chapter 256, Private Acts of 1957, as amended and Section 12-2-1202, *TCA*.

OFFICE OF CLERK AND MASTER

FINDING 2013-005

EXCESS FEES WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that excess fees were properly remitted to the county, we examined the dates when excess fees were remitted and the amount of excess fees held by the office at the end of each quarter. Section 8-22-104, *Tennessee Code Annotated*, requires excess fees to be reported and paid to the county quarterly and authorizes the clerk to retain sufficient fees to operate the office for three months. Excess fees retained by the office exceeded statutory limits for each quarter covered by our examination. The office paid excess fees to the county only once at June 30, 2013, and retained excess fee amounts in excess of statutory limits by amounts ranging from \$1,694 to \$59,228. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The clerk and master should report and pay excess fees to the county in compliance with state statute.

MANAGEMENT'S RESPONSE – CLERK AND MASTER

I have been advised that excess fees for this office have increased from approximately \$18,000 to approximately \$60,000 annually. Pursuant to the statute, we can retain sufficient fees to operate the office for three months. This office has always turned over the fees on an annual basis at the end of the fiscal year; however, our excess fees have increased dramatically due to accepting passport applications and having at least three delinquent tax sales per year. When this was brought to my attention, I immediately began to turn the fees over quarterly. Please know this finding is duly noted and our excess fees were turned over in September and will be turned over quarterly in the future.

BEST PRACTICES

The Division of Local Government Audit strongly believes that the items noted below are best practices that should be considered by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens in Hawkins County.

ITEM 1.

HAWKINS COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING

Hawkins County operates under provisions of Chapter 256, Private Acts of 1957, as amended. This act provides for the county mayor to make purchases for all departments of Hawkins County, including the discretely presented Hawkins County School Department.

Hawkins County does not have 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. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting and budgeting covering all county departments.

ITEM 2.

HAWKINS COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

Hawkins County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

**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, 2013**

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