

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

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

ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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State Auditors

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

HARDEMAN COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Hardeman County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hardeman County as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

HARDEMAN COUNTY

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

OFFICE OF COUNTY MAYOR

- ◆ The Solid Waste Disposal Fund had an unrestricted net assets deficit of \$1,398,645. This deficit primarily resulted from the recognition of a liability (\$2,229,293) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.
 - ◆ The Ambulance Service had administrative and accounting deficiencies that contributed to the ambulance service director misappropriating funds resulting in a cash shortage of \$1,241.93 as of March 31, 2005.
 - ◆ Competitive bids were not solicited for some applicable purchases.
 - ◆ The office did not issue purchase orders for some applicable purchases under \$5,000.
-

OFFICE OF COUNTY CLERK

- ◆ The clerk did not require a depository to collateralize funds exceeding Federal Deposit Insurance Corporation coverage.
-

OTHER FINDING

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

INTRODUCTORY SECTION

Hardeman County Officials

June 30, 2005

Officials:

Don Clifft, County Mayor
Willie E. Spencer, County Mayor Pro-Tempore
David Sipes, Highway Superintendent
Mary L. Powell, Trustee
Norma Kirk, Assessor of Property
Jerry Armstrong, County Clerk
Linda K. Fulghum, Circuit and General Sessions Courts Clerk
Janice Bodiford, Clerk and Master
Lily D. Barnes, Register
Delphus Hicks, Jr., Sheriff

Board of County Commissioners:

Don Clifft, Chairman	Junious McTizic
Willie E. Spencer, Chairman Pro-Tempore	Viscen C. Morrow
Darlene Cardwell	Aubrey Phillips
L. J. Cheairs	Anthony Pulse
Joe Cole	Jackie Sain
Bobby Doyle	Opal Shaw
Keith Foote	Mac Vaughn
Patricia Kirk	Steven Young
Authur McKinnie, Sr.	

Board of Highway Supervisors:

Kenny Pulse, Chairman
Russell DeBerry
Mike Mitchell

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

October 6, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Hardeman County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Hardeman County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hardeman County, Tennessee, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Hardeman County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

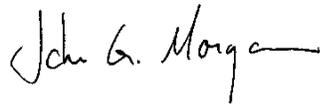
In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2005, on our consideration of Hardeman County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Hardeman County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

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

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a stylized flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardeman County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 113,231	\$ 113,231
Equity in Pooled Cash and Investments	525,059	1,429,570	926,583	136,695	3,017,907
Accounts Receivable	2,283	0	84	548	2,915
Due from Other Governments	84,144	552,273	0	0	636,417
Due from Other Funds	34	0	0	0	34
Property Taxes Receivable	2,678,627	0	44,471	0	2,723,098
Allowance for Uncollectible Property Taxes	(136,708)	0	(7,661)	0	(144,369)
Accrued Interest Receivable	5,008	0	0	0	5,008
Total Assets	\$ 3,158,447	\$ 1,981,843	\$ 963,477	\$ 250,474	\$ 6,354,241
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 17,695	\$ 0	\$ 0	\$ 0	\$ 17,695
Payroll Deductions Payable	1,534	0	0	0	1,534
Contracts Payable	0	265,489	0	0	265,489
Due to Other Funds	0	0	0	34	34
Due to State of Tennessee	8,816	0	0	0	8,816
Deferred Revenue - Current Property Taxes	2,414,139	0	23,438	0	2,437,577
Deferred Revenue - Delinquent Property Taxes	117,930	0	12,341	0	130,271
Other Deferred Revenues	23,430	379,952	0	0	403,382
Total Liabilities	\$ 2,583,544	\$ 645,441	\$ 35,779	\$ 34	\$ 3,264,798
Fund Balances					
Reserved for Alcohol and Drug Treatment	\$ 70,885	\$ 0	\$ 0	\$ 0	\$ 70,885
Reserved for Courthouse and Jail Maintenance	42,390	0	0	0	42,390
Reserved for Computer System - Register	32,698	0	0	0	32,698
Reserved for Automation Purposes - Circuit Court	158	0	0	0	158
Reserved for Automation Purposes - General Sessions Court	19,076	0	0	0	19,076
Reserved for Automation Purposes - Juvenile Court	2,060	0	0	0	2,060
Reserved for Automation Purposes - Chancery Court	1,982	0	0	0	1,982
Reserved for Other General Purposes	127	0	0	0	127
Unreserved, Reported In:					
General Fund	405,527	0	0	0	405,527
Special Revenue Funds	0	1,336,402	0	211,132	1,547,534
Debt Service Funds	0	0	927,698	0	927,698
Capital Projects Funds	0	0	0	39,308	39,308
Total Fund Balances	\$ 574,903	\$ 1,336,402	\$ 927,698	\$ 250,440	\$ 3,089,443
Total Liabilities and Fund Balances	\$ 3,158,447	\$ 1,981,843	\$ 963,477	\$ 250,474	\$ 6,354,241

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

Hardeman County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit B

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,402,889	\$ 649,201	\$ 250,166	\$ 0	\$ 4,302,256
Licenses and Permits	25,054	0	0	0	25,054
Fines, Forfeitures and Penalties	139,635	0	0	25,404	165,039
Charges for Current Services	1,248,413	0	0	480,553	1,728,966
Other Local Revenues	295,927	67,819	0	35,946	399,692
Fees Received from County Officials	635,635	0	0	0	635,635
State of Tennessee	850,146	1,988,081	0	327,905	3,166,132
Federal Government	728,485	0	0	73,785	802,270
Other Governments and Citizens Groups	2,200	0	781,139	0	783,339
Total Revenues	\$ 7,328,384	\$ 2,705,101	\$ 1,031,305	\$ 943,593	\$ 12,008,383
<u>Expenditures</u>					
Current:					
General Government	\$ 579,784	\$ 0	\$ 0	\$ 106,903	\$ 686,687
Finance	270,304	0	0	263,024	533,328
Administration of Justice	380,777	0	0	107,461	488,238
Public Safety	1,593,959	0	0	23,298	1,617,257
Public Health and Welfare	1,658,000	0	0	717,928	2,375,928
Social, Cultural, and Recreational Services	94,201	0	0	0	94,201
Agricultural and Natural Resources	105,184	0	0	0	105,184
Other Operations	2,410,412	0	0	79,776	2,490,188
Highways	0	3,247,563	0	0	3,247,563
Debt Service:					
Principal	0	0	477,133	0	477,133
Interest	0	0	412,528	0	412,528
Other Debt Service	0	0	5,956	0	5,956
Capital Projects	0	0	0	785,587	785,587
Total Expenditures	\$ 7,092,621	\$ 3,247,563	\$ 895,617	\$ 2,083,977	\$ 13,319,778
Excess (Deficiency) of Revenues Over Expenditures	\$ 235,763	\$ (542,462)	\$ 135,688	\$ (1,140,384)	\$ (1,311,395)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 95,000	\$ 95,000
Transfers In	0	0	46,356	544,049	590,405
Transfers Out	(544,049)	(30,545)	0	(15,811)	(590,405)
Total Other Financing Sources (Uses)	\$ (544,049)	\$ (30,545)	\$ 46,356	\$ 623,238	\$ 95,000
Net Change in Fund Balances	\$ (308,286)	\$ (573,007)	\$ 182,044	\$ (517,146)	\$ (1,216,395)
Fund Balance, July 1, 2004	883,189	1,909,409	745,654	767,586	4,305,838
Fund Balance, June 30, 2005	\$ 574,903	\$ 1,336,402	\$ 927,698	\$ 250,440	\$ 3,089,443

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

Hardeman County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 830,648
Total Current Assets	<u>\$ 830,648</u>
Noncurrent Assets (Net of Accumulated Depreciation):	
Land	\$ 219,838
Buildings and Improvements	1,405,428
Machinery and Equipment	231,603
Total Noncurrent Assets	<u>\$ 1,856,869</u>
Total Assets	<u>\$ 2,687,517</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Capital Outlay Notes Payable	\$ 225,000
Total Current Liabilities	<u>\$ 225,000</u>
Noncurrent Liabilities:	
Accrued liability for Landfill Closure/Postclosure Care Costs	\$ 2,229,293
Capital Outlay Notes Payable - Long-term	987,000
Total Noncurrent Liabilities	<u>\$ 3,216,293</u>
Total Liabilities	<u>\$ 3,441,293</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 644,869
Net Assets - Unrestricted (Deficit)	<u>(1,398,645)</u>
Total Net Assets	<u>\$ (753,776)</u>

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

Exhibit C-2

Hardeman County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Major Fund</u>
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Operating Revenues</u>	
Solid Waste Disposal Fee	\$ 942,622
Total Operating Revenues	<u>\$ 942,622</u>
<u>Operating Expenses</u>	
County Official/Administrative Officer	\$ 17,124
Laborers	145,401
Clerical Personnel	34,196
Social Security	11,127
State Retirement	17,224
Employee and Dependent Insurance	33,512
Disability Insurance	5,408
Unemployment Compensation	1,373
Employer Medicare	2,602
Communication	4,117
Consultant	14,082
Contracts with Private Agencies	168,467
Maintenance & Repair Services - Buildings	65,061
Maintenance & Repair Services - Equipment	130,893
Maintenance & Repair Services - Office Equipment	4,790
Maintenance & Repair Services - Vehicles	4,027
Postal Charges	1,222
Disposal Fees	10,706
Custodial Supplies	2,551
Data Processing Supplies	18,007
Food Supplies	4,933
Gasoline	31,645
Lubricants	6,182
Office Supplies	4,905
Uniforms	3,886
Utilities	41,584
Gravel and Chert	49,100
Other Supplies and Materials	23,815
Liability Insurance	4,320
Depreciation	133,933
Surcharge	23,870
Landfill Closure/Postclosure Care Costs	51,620
Other Charges	35,588
Motor Vehicles	9,645
Office Equipment	347
Solid Waste Equipment	22,562
Total Operating Expenses	<u>\$ 1,139,825</u>
Operating Income (Loss)	<u>\$ (197,203)</u>

Exhibit C-2

Hardeman County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets (Cont.)

	Major Fund
	<u>Enterprise</u>
	<u>Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 14,759
Solid Waste Grants	1,917
Interest on Notes	(45,583)
Interest on Notes - Landfill Acquisition	(21,805)
Other Debt Issuance Charges	(1,000)
Total Nonoperating Revenues (Expenses)	<u>\$ (51,712)</u>
Loss before Special Item	<u>\$ (248,915)</u>
<u>Special Item</u>	
Special Item - Acquisition of Landfill from City of Bolivar	\$ (121,574)
Total Special Item	<u>\$ (121,574)</u>
Change in Net Assets	\$ (370,489)
Total Net Assets, July 1, 2004	<u>(383,287)</u>
Total Net Assets, June 30, 2005	<u><u>\$ (753,776)</u></u>

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

Exhibit C-3

Hardeman County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Major Fund</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers and Users	\$ 942,622
Payments for Waste Disposal and Maintenance	(954,272)
Net Cash Provided (Used) by Operating Activities	<u>\$ (11,650)</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Solid Waste Grants	\$ 1,917
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 1,917</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Cash Proceeds Received for Landfill Acquisition	\$ 990,034
Acquisition of Capital Assets	(51,737)
Principal Paid on Notes	(218,000)
Interest Paid on Notes	(45,583)
Principal on Notes Paid for Landfill Acquisition	(873,000)
Interest on Notes Paid for Landfill Acquisition	(21,805)
Other Charges Paid for Debt Issuance	(1,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (221,091)</u>
<u>Cash Flows From Investing Activities</u>	
Investment Income	\$ 14,759
Net Cash Provided (Used) by Investing Activities	<u>\$ 14,759</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (216,065)
Cash and Cash Equivalents, July 1, 2004	<u>1,046,713</u>
Cash and Cash Equivalents, June 30, 2005	<u>\$ 830,648</u>
<u>Reconciliation of Net Operating Income to Net Cash Provided By</u>	
<u>Operating Activities</u>	
Operating Income (Loss)	\$ (197,203)
Adjustment to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	133,933
Increase in Accrued Liability for Landfill Closure/Postclosure Costs	<u>51,620</u>
Net Cash Provided By Operating Activities	<u>\$ (11,650)</u>

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

Exhibit D

Hardeman County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 477,859
Due from Other Governments	<u>200,884</u>
Total Assets	<u><u>\$ 678,743</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 200,884
Due to Litigants, Heirs, and Others	<u>477,859</u>
Total Liabilities	<u><u>\$ 678,743</u></u>

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

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

Hardeman County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Hardeman County (the primary government).

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

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

The Hardeman County School Department operates the public school system in the county, and the voters of Hardeman 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 Hardeman County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardeman County, and the Hardeman 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 Hardeman County School Department and the Hardeman County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Hardeman County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Hardeman County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Hardeman County Emergency Communications District
P. O. Box 355
Bolivar, TN 38008

Related Organizations – The Hardeman County Industrial Development Board and the Hardeman County Correctional Facilities Corporation are related organizations of Hardeman County. The county mayor nominates and the Hardeman County Commission confirms the board members, but the county's accountability for the organizations does not extend beyond making the appointments.

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

Fund financial statements of Hardeman County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category and the proprietary category. Hardeman County only reports one proprietary fund, an enterprise fund. It has no internal service funds to report.

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

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. Hardeman County considers grant 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 General Debt Service Fund 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.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hardeman County reports the following major governmental funds:

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

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

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

Hardeman County reports the following major enterprise fund:

Solid Waste Disposal Fund – This fund accounts for the transactions of the county-owned landfill.

Additionally, Hardeman County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Hardeman County. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Hardeman County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an enterprise fund to account for the operations of the county’s landfill. Operating revenues and expenses generally result from providing services in connection with the funds’ principal ongoing operations.

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

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

1. **Deposits and Investments**

For purposes of the statement of cash flows, cash includes funds held by the county trustee as Equity in Pooled Cash and Investments.

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

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

2. Receivables and Payables

All outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.82 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 deferred revenue as of June 30.

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Hardeman County, except for its proprietary fund, does not maintain

capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Hardeman County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary fund. Hardeman County defines capital assets 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. Interest incurred during the construction phase of capital assets of the enterprise funds is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Machinery and Equipment	5-20

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since Hardeman 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.

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, claims and judgments, special termination benefits, and landfill closure and postclosure care

costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements.

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

6. Net Assets and Fund Equity

In the proprietary funds, equity is classified as net assets and displayed in three components:

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

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Unrestricted Net Assets Deficit

The Solid Waste Disposal Fund had an unrestricted net assets deficit of \$1,398,645 at June 30, 2005. This deficit primarily resulted from recognition of a liability (\$2,229,293) for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure.

B. Cash Shortage

During the year, the Ambulance Service operations in the Office of the County Mayor had a cash shortage of \$1,241.93. The cash shortage was liquidated by the ambulance director on April 29, 2005. Further details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of the Single Audit Report.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. Hardeman County had no pooled or nonpooled investments as of June 30, 2005.

B. Capital Assets

Capital assets activity of the proprietary fund for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Balance		Balance	
	7-1-04	Increases	6-30-05	
Capital Assets Not Depreciated:				
Land	\$ 0	\$ 219,838	\$ 219,838	
Total Capital Assets Not Depreciated	\$ 0	\$ 219,838	\$ 219,838	
Capital Assets Depreciated:				
Buildings & Improvements	\$ 0	\$ 1,493,606	\$ 1,493,606	
Machinery & Equipment	0	277,358	277,358	
Total Capital Assets Depreciated	\$ 0	\$ 1,770,964	\$ 1,770,964	
Less Accumulated Depreciation For:				
Buildings & Improvements	\$ 0	\$ 88,178	\$ 88,178	
Machinery & Equipment	0	45,755	45,755	

Total Accumulated Depreciation	\$	0	\$	133,933	\$	133,933
Total Capital Assets Depreciated, Net	\$	0	\$	1,637,031	\$	1,637,031
Business-type Activities Capital Assets, Net	\$	0	\$	1,856,869	\$	1,856,869

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 34

This balance 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.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Debt Service</u>	<u>Nonmajor Governmental Funds</u>
General	\$ 0	\$ 544,049
Highway/Public Works	30,545	0
Nonmajor governmental funds	15,811	0
Total	<u>\$ 46,356</u>	<u>\$ 544,049</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to

finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-term Debt

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 40 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	4 to 5.625 %	\$ 7,189,000	\$ 6,517,000
General Obligation Bonds - Refunding	3 to 5.1	1,200,000	440,000
Capital Outlay Notes	3 to 4.35	645,000	431,221

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 322,000	\$ 376,683	\$ 92,786	\$ 13,654
2007	332,000	360,683	95,669	10,771
2008	358,000	343,513	98,639	7,801
2009	323,000	326,428	101,709	4,731
2010	253,000	311,650	14,243	1,569
2011-2015	1,504,000	1,337,065	22,967	4,215
2016-2020	1,910,000	882,075	5,208	227
2021-2024	1,955,000	282,374	0	0
Total	<u>\$ 6,957,000</u>	<u>\$ 4,220,471</u>	<u>\$ 431,221</u>	<u>\$ 42,968</u>

There is \$927,698 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$248, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$263, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2004	\$ 7,273,000	\$ 497,354
Additions	0	95,000
Deductions	<u>(316,000)</u>	<u>(161,133)</u>
Balance, June 30, 2005	<u>\$ 6,957,000</u>	<u>\$ 431,221</u>
Balance Due Within One Year	<u>\$ 322,000</u>	<u>\$ 92,786</u>

	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 87,119
Additions	81,000
Deductions	<u>(24,209)</u>
Balance, June 30, 2005	<u>\$ 143,910</u>
Balance Due Within One Year	<u>\$ 25,000</u>

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

Hardeman County Solid Waste Disposal Fund (Enterprise Fund)

The annual requirements to amortize notes outstanding as of June 30, 2005, including interest, are presented in the following table:

Year Ending June 30	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 225,000	\$ 43,874
2007	234,000	35,730
2008	242,000	27,258
2009	251,000	18,498
2010	<u>260,000</u>	<u>9,418</u>
Total	<u>\$ 1,212,000</u>	<u>\$ 134,778</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Notes	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 1,430,000	\$ 0
Additions	0	2,229,293
Deductions	(218,000)	0
Balance, June 30, 2005	<u>\$ 1,212,000</u>	<u>\$ 2,229,293</u>
Balance Due Within One Year	<u>\$ 225,000</u>	<u>\$ 0</u>

E. Short-term Debt

Hardeman County issued tax anticipation notes and revenue anticipation notes in advance of property tax collections and other revenue sources and deposited these proceeds in the General Fund (\$400,000) and the Solid Waste/Sanitation Fund (\$155,000). These notes were necessary because funds were not available for general operating expenses coming due before current tax collections and other revenue sources. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Revenue Anticipation Notes	\$ 0	\$ 555,000	\$ 555,000	\$ 0

F. Special Item

On July 1, 2004, Hardeman County acquired the City of Bolivar's interest in the Bolivar/Hardeman County Landfill. In accordance with the terms of acquisition, the county received from the City of Bolivar cash in the amount of \$990,034, capital assets valued at \$1,939,065 net of accumulated depreciation, an \$873,000 liability for long-term notes payable, and a \$2,177,673 liability for closure/postclosure care costs. The net effect to the financial statements of the Solid Waste Disposal Fund (Proprietary Fund) is reflected as a Special Item in the amount of \$(121,574).

IV. OTHER INFORMATION

A. Risk Management

Employee Health Insurance

It is the policy of the county to carry commercial insurance for employee health and accident. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Liability, Property, Casualty, and Workers' Compensation Insurance

Hardeman County joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member districts. The county pays an annual premium to the TSB-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Change

During the year, Hardeman County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposits and Investments Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

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

D. Landfill Closure/Postclosure Care Costs

Hardeman County acquired the City of Bolivar's interest in the Bolivar/Hardeman County Landfill effective July 1, 2004. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Hardeman County has not stopped accepting

waste as of the date of this report due to changes in regulations that allows the county to increase its dumping capacity at the existing landfill. The \$2,229,293 reported as accrued liability for landfill post/closure care costs in the Solid Waste Disposal Fund at June 30, 2005, represents the estimated costs for future closure/postclosure care functions. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

E. Retirement Commitments

Plan Description

Employees of Hardeman 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 Hardeman County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Hardeman County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 10.62 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for

Hardeman County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Hardeman County’s annual pension cost of \$799,441 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hardeman County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$799,441	100%	\$0
6-30-04	652,823	100	0
6-30-03	614,856	100	0

Required Supplementary Information
Schedule of Funding Progress for Hardeman County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$12,716	\$12,716	\$0	100%	\$6,338	0%
6-30-01	11,288	11,288	0	100	6,037	0
6-30-99	9,785	9,785	0	100	5,426	0

F. Purchasing Laws

Purchasing procedures for all departments, agencies, and offices of Hardeman County are established by Chapter 90, Private Acts of 1989, as amended. Purchasing procedures for the Highway Department are also governed by provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated (TCA). Chapter 90, Private Acts of 1989, as amended, designates the county mayor as county purchasing agent and authorizes him to make purchases for all agencies, offices, and departments of the county, except for purchases costing less than \$10,000, which may be made directly by the highway superintendent. These statutes also require the issuance of purchase orders and the solicitation of bids through newspaper advertisements for all purchases exceeding \$5,000 for the Office of County Mayor and \$10,000 for the Highway Department.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,402,889	\$ 3,071,265	\$ 3,271,265	\$ 131,624
Licenses and Permits	25,054	27,800	27,800	(2,746)
Fines, Forfeitures and Penalties	139,635	203,000	203,000	(63,365)
Charges for Current Services	1,248,413	1,234,800	1,237,079	11,334
Other Local Revenues	295,927	246,500	301,314	(5,387)
Fees Received from County Officials	635,635	1,174,000	1,174,000	(538,365)
State of Tennessee	850,146	1,022,783	1,104,518	(254,372)
Federal Government	728,485	71,442	799,927	(71,442)
Other Governments and Citizens Groups	2,200	1,200	1,200	1,000
Total Revenues	\$ 7,328,384	\$ 7,052,790	\$ 8,120,103	\$ (791,719)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 14,625	\$ 15,600	\$ 15,600	\$ 975
Board of Equalization	966	1,000	1,000	34
Beer Board	1,970	1,800	2,400	430
Budget and Finance Committee	2,075	3,200	3,200	1,125
Other Boards and Committees	6,440	7,500	7,500	1,060
County Mayor	172,923	153,627	174,227	1,304
County Attorney	8,003	19,909	19,909	11,906
Election Commission (Including Voter Registration)	135,098	138,111	138,111	3,013
Register of Deeds	25,667	145,861	145,861	120,194
Development	59,335	62,768	62,450	3,115
County Buildings	130,651	137,161	136,286	5,635
Other General Administration	22,031	20,000	22,031	0
<u>Finance</u>				
Accounting and Budgeting	5,805	18,680	7,680	1,875
Purchasing	0	3,600	0	0
Property Assessor's Office	175,489	186,570	186,570	11,081
Reappraisal Program	30,015	34,448	34,448	4,433
County Trustee's Office	22,881	146,669	146,669	123,788
County Clerk's Office	36,114	172,433	186,507	150,393
<u>Administration of Justice</u>				
Circuit Court	236,796	255,378	255,378	18,582
General Sessions Court	85,370	103,918	102,218	16,848
Chancery Court	17,907	142,578	144,284	126,377
Juvenile Court	40,704	39,851	43,191	2,487
<u>Public Safety</u>				
Sheriff's Department	965,922	1,061,144	1,055,014	89,092
Drug Enforcement	0	0	0	0
Workhouse	464,961	466,089	505,089	40,128
Juvenile Services	25,601	25,602	25,602	1
Fire Prevention and Control	59,200	60,000	60,000	800

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Civil Defense	\$ 51,870	\$ 58,053	\$ 191,602	\$ 139,732
County Coroner/Medical Examiner	26,405	18,000	28,000	1,595
<u>Public Health and Welfare</u>				
Local Health Center	205,441	77,264	234,840	29,399
Rabies and Animal Control	30,842	28,500	30,856	14
Ambulance/Emergency Medical Services	1,297,746	1,219,828	1,307,304	9,558
Dental Health Program	88,358	292,214	292,214	203,856
Alcohol and Drug Programs	2,500	5,000	5,000	2,500
Crippled Children Services	1,779	1,779	1,779	0
Other Local Health Services	2,000	2,000	2,000	0
Regional Mental Health Center	2,500	5,000	5,000	2,500
Other Local Welfare Services	5,000	5,200	5,200	200
Sanitation Education/Information	21,834	43,125	43,125	21,291
<u>Social, Cultural and Recreational Services</u>				
Senior Citizens Assistance	1,500	1,500	1,500	0
Libraries	90,201	87,150	90,201	0
Other Social, Cultural and Recreational	2,500	2,500	2,500	0
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	81,011	92,682	92,682	11,671
Forest Service	2,000	2,000	2,000	0
Soil Conservation	22,173	23,016	23,016	843
<u>Other Operations</u>				
Industrial Development	36,000	41,750	41,750	5,750
Airport	826,752	53,000	828,444	1,692
Veterans' Services	7,231	7,427	7,427	196
Contributions to Other Agencies	19,767	20,651	20,651	884
Employee Benefits	1,245,391	1,381,750	1,381,750	136,359
Miscellaneous	275,271	268,750	287,500	12,229
Total Expenditures	<u>\$ 7,092,621</u>	<u>\$ 7,161,636</u>	<u>\$ 8,407,566</u>	<u>\$ 1,314,945</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 235,763	\$ (108,846)	\$ (287,463)	\$ 523,226
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 250,000	\$ 400,000	\$ (400,000)
Transfers Out	(544,049)	(400,000)	(944,049)	400,000
Total Other Financing Sources (Uses)	<u>\$ (544,049)</u>	<u>\$ (150,000)</u>	<u>\$ (544,049)</u>	<u>\$ 0</u>

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (308,286)	\$ (258,846)	\$ (831,512)	\$ 523,226
Fund Balance, July 1, 2004	883,189	850,000	850,000	33,189
Fund Balance, June 30, 2005	<u>\$ 574,903</u>	<u>\$ 591,154</u>	<u>\$ 18,488</u>	<u>\$ 556,415</u>

Exhibit E-2

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 649,201	\$ 570,000	\$ 680,000	\$ (30,799)
Charges for Current Services	0	100	100	(100)
Other Local Revenues	67,819	14,500	14,500	53,319
State of Tennessee	1,988,081	2,176,355	2,176,355	(188,274)
Total Revenues	<u>\$ 2,705,101</u>	<u>\$ 2,760,955</u>	<u>\$ 2,870,955</u>	<u>\$ (165,854)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 160,023	\$ 169,442	\$ 169,442	\$ 9,419
Highway and Bridge Maintenance	1,544,953	1,585,982	1,635,982	91,029
Operation and Maintenance of Equipment	426,048	389,056	429,056	3,008
Other Charges	84,947	93,200	93,200	8,253
Employee Benefits	398,646	368,800	398,800	154
Capital Outlay	632,946	479,674	829,674	196,728
Total Expenditures	<u>\$ 3,247,563</u>	<u>\$ 3,086,154</u>	<u>\$ 3,556,154</u>	<u>\$ 308,591</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (542,462)</u>	<u>\$ (325,199)</u>	<u>\$ (685,199)</u>	<u>\$ 142,737</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 46,955	\$ 46,955	\$ (46,955)
Transfers Out	(30,545)	(46,955)	(46,955)	16,410
Total Other Financing Sources (Uses)	<u>\$ (30,545)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (30,545)</u>
Net Change in Fund Balance	\$ (573,007)	\$ (325,199)	\$ (685,199)	\$ 112,192
Fund Balance, July 1, 2004	<u>1,909,409</u>	<u>1,719,508</u>	<u>1,719,508</u>	<u>189,901</u>
Fund Balance, June 30, 2005	<u>\$ 1,336,402</u>	<u>\$ 1,394,309</u>	<u>\$ 1,034,309</u>	<u>\$ 302,093</u>

HARDEMAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Hardeman County’s garbage collection operations.

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.

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues provided for industrial park projects.

Exhibit F-1

Hardeman County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 113,231	\$ 113,231	\$ 0	\$ 0	\$ 0	\$ 113,231
Equity in Pooled Cash and Investments	17,821	79,566	0	97,387	38,615	693	39,308	136,695
Accounts Receivable	0	0	548	548	0	0	0	548
Total Assets	\$ 17,821	\$ 79,566	\$ 113,779	\$ 211,166	\$ 38,615	\$ 693	\$ 39,308	\$ 250,474
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Due to Other Funds	\$ 0	\$ 0	\$ 34	\$ 34	\$ 0	\$ 0	\$ 0	\$ 34
Total Liabilities	\$ 0	\$ 0	\$ 34	\$ 34	\$ 0	\$ 0	\$ 0	\$ 34
<u>Fund Balances</u>								
Unreserved	\$ 17,821	\$ 79,566	\$ 113,745	\$ 211,132	\$ 38,615	\$ 693	\$ 39,308	\$ 250,440
Total Fund Balances	\$ 17,821	\$ 79,566	\$ 113,745	\$ 211,132	\$ 38,615	\$ 693	\$ 39,308	\$ 250,440
Total Liabilities and Fund Balances	\$ 17,821	\$ 79,566	\$ 113,779	\$ 211,166	\$ 38,615	\$ 693	\$ 39,308	\$ 250,474

Exhibit F-2

Hardeman County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	
<u>Revenues</u>								
Fines, Forfeitures and Penalties	\$ 0	\$ 25,404	\$ 0	\$ 25,404	\$ 0	\$ 0	\$ 0	\$ 25,404
Charges for Current Services	0	0	480,553	480,553	0	0	0	480,553
Other Local Revenues	27,486	360	0	27,846	8,100	0	8,100	35,946
State of Tennessee	101,404	0	0	101,404	226,501	0	226,501	327,905
Federal Government	0	0	0	0	0	73,785	73,785	73,785
Total Revenues	\$ 128,890	\$ 25,764	\$ 480,553	\$ 635,207	\$ 234,601	\$ 73,785	\$ 308,386	\$ 943,593
<u>Expenditures</u>								
Current:								
General Government	\$ 0	\$ 0	\$ 106,903	\$ 106,903	\$ 0	\$ 0	\$ 0	\$ 106,903
Finance	0	0	263,024	263,024	0	0	0	263,024
Administration of Justice	0	0	107,461	107,461	0	0	0	107,461
Public Safety	0	23,298	0	23,298	0	0	0	23,298
Public Health and Welfare	717,928	0	0	717,928	0	0	0	717,928
Other Operations	5,991	0	0	5,991	0	73,785	73,785	79,776
Capital Projects	0	0	0	0	785,587	0	785,587	785,587
Total Expenditures	\$ 723,919	\$ 23,298	\$ 477,388	\$ 1,224,605	\$ 785,587	\$ 73,785	\$ 859,372	\$ 2,083,977
Excess (Deficiency) of Revenues Over Expenditures	\$ (595,029)	\$ 2,466	\$ 3,165	\$ (589,398)	\$ (550,986)	\$ 0	\$ (550,986)	\$ (1,140,384)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 95,000	\$ 0	\$ 0	\$ 95,000	\$ 0	\$ 0	\$ 0	\$ 95,000
Transfers In	544,049	0	0	544,049	0	0	0	544,049
Transfers Out	(15,811)	0	0	(15,811)	0	0	0	(15,811)
Total Other Financing Sources (Uses)	\$ 623,238	\$ 0	\$ 0	\$ 623,238	\$ 0	\$ 0	\$ 0	\$ 623,238
Net Change in Fund Balances	\$ 28,209	\$ 2,466	\$ 3,165	\$ 33,840	\$ (550,986)	\$ 0	\$ (550,986)	\$ (517,146)
Fund Balance, July 1, 2004	(10,388)	77,100	110,580	177,292	589,601	693	590,294	767,586
Fund Balance, June 30, 2005	\$ 17,821	\$ 79,566	\$ 113,745	\$ 211,132	\$ 38,615	\$ 693	\$ 39,308	\$ 250,440

Exhibit F-3

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 27,486	\$ 0	\$ 20,000	\$ 7,486
State of Tennessee	101,404	4,000	4,000	97,404
Total Revenues	<u>\$ 128,890</u>	<u>\$ 4,000</u>	<u>\$ 24,000</u>	<u>\$ 104,890</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 256,395	\$ 250,500	\$ 285,500	\$ 29,105
Convenience Centers	461,533	0	470,198	8,665
<u>Other Operations</u>				
Employee Benefits	5,991	0	5,991	0
Total Expenditures	<u>\$ 723,919</u>	<u>\$ 250,500</u>	<u>\$ 761,689</u>	<u>\$ 37,770</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (595,029)</u>	<u>\$ (246,500)</u>	<u>\$ (737,689)</u>	<u>\$ 142,660</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 95,000	\$ 5,437	\$ 100,437	\$ (5,437)
Transfers In	544,049	400,000	699,049	(155,000)
Transfers Out	(15,811)	(194,724)	(79,337)	63,526
Total Other Financing Sources (Uses)	<u>\$ 623,238</u>	<u>\$ 210,713</u>	<u>\$ 720,149</u>	<u>\$ (96,911)</u>
Net Change in Fund Balance	\$ 28,209	\$ (35,787)	\$ (17,540)	\$ 45,749
Fund Balance, July 1, 2004	(10,388)	46,500	46,500	(56,888)
Fund Balance, June 30, 2005	<u>\$ 17,821</u>	<u>\$ 10,713</u>	<u>\$ 28,960</u>	<u>\$ (11,139)</u>

Exhibit F-4

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 25,404	\$ 12,300	\$ 12,300	\$ 13,104
Other Local Revenues	360	1,500	1,500	(1,140)
Total Revenues	<u>\$ 25,764</u>	<u>\$ 13,800</u>	<u>\$ 13,800</u>	<u>\$ 11,964</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 23,298	\$ 34,050	\$ 46,550	\$ 23,252
Total Expenditures	<u>\$ 23,298</u>	<u>\$ 34,050</u>	<u>\$ 46,550</u>	<u>\$ 23,252</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,466</u>	<u>\$ (20,250)</u>	<u>\$ (32,750)</u>	<u>\$ 35,216</u>
Net Change in Fund Balance	\$ 2,466	\$ (20,250)	\$ (32,750)	\$ 35,216
Fund Balance, July 1, 2004	<u>77,100</u>	<u>54,615</u>	<u>54,615</u>	<u>22,485</u>
Fund Balance, June 30, 2005	<u>\$ 79,566</u>	<u>\$ 34,365</u>	<u>\$ 21,865</u>	<u>\$ 57,701</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 250,166	\$ 237,144	\$ 237,144	\$ 13,022
Other Governments and Citizens Groups	781,139	0	781,139	0
Total Revenues	<u>\$ 1,031,305</u>	<u>\$ 237,144</u>	<u>\$ 1,018,283</u>	<u>\$ 13,022</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 68,088	\$ 68,087	\$ 290,350	\$ 222,262
Highways and Streets	29,818	29,818	29,818	0
Education	379,227	379,228	379,228	1
<u>Interest</u>				
General Government	10,574	0	60,639	50,065
Highways and Streets	727	728	728	1
Education	401,227	401,229	401,229	2
<u>Other Debt Service</u>				
General Government	5,956	7,000	8,000	2,044
Total Expenditures	<u>\$ 895,617</u>	<u>\$ 886,090</u>	<u>\$ 1,169,992</u>	<u>\$ 274,375</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 135,688</u>	<u>\$ (648,946)</u>	<u>\$ (151,709)</u>	<u>\$ 287,397</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 46,356	\$ 816,440	\$ 316,852	\$ (270,496)
Total Other Financing Sources (Uses)	<u>\$ 46,356</u>	<u>\$ 816,440</u>	<u>\$ 316,852</u>	<u>\$ (270,496)</u>
Net Change in Fund Balance	\$ 182,044	\$ 167,494	\$ 165,143	\$ 16,901
Fund Balance, July 1, 2004	<u>745,654</u>	<u>729,339</u>	<u>729,339</u>	<u>16,315</u>
Fund Balance, June 30, 2005	<u>\$ 927,698</u>	<u>\$ 896,833</u>	<u>\$ 894,482</u>	<u>\$ 33,216</u>

Agency Funds

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

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

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

Exhibit H-1

Hardeman County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 477,859	\$ 477,859
Due from Other Governments	200,884	0	200,884
Total Assets	<u>\$ 200,884</u>	<u>477,859</u>	<u>\$ 678,743</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 200,884	\$ 0	\$ 200,884
Due to Litigants, Heirs, and Others	0	477,859	477,859
Total Liabilities	<u>\$ 200,884</u>	<u>\$ 477,859</u>	<u>\$ 678,743</u>

Exhibit H-2

Hardeman County, Tennessee
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,154,283	\$ 1,154,283	\$ 0
Due From Other Governments	190,000	200,884	190,000	200,884
Total Assets	\$ 190,000	\$ 1,355,167	\$ 1,344,283	\$ 200,884
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 190,000	\$ 1,154,283	\$ 1,143,399	\$ 200,884
Total Liabilities	\$ 190,000	\$ 1,154,283	\$ 1,143,399	\$ 200,884
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 623,634	\$ 4,895,985	\$ 5,041,760	\$ 477,859
Total Assets	\$ 623,634	\$ 4,895,985	\$ 5,041,760	\$ 477,859
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 623,634	\$ 4,895,985	\$ 5,041,760	\$ 477,859
Total Liabilities	\$ 623,634	\$ 4,895,985	\$ 5,041,760	\$ 477,859
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,154,283	\$ 1,154,283	\$ 0
Cash	623,634	4,895,985	5,041,760	477,859
Due From Other Governments	190,000	200,884	190,000	200,884
Total Assets	\$ 813,634	\$ 6,251,152	\$ 6,386,043	\$ 678,743
<u>Liabilities</u>				
Due to Other Taxing Units	190,000	1,154,283	1,143,399	200,884
Due to Litigants, Heirs, and Others	623,634	4,895,985	5,041,760	477,859
Total Liabilities	\$ 813,634	\$ 6,050,268	\$ 6,185,159	\$ 678,743

MISCELLANEOUS SCHEDULES

Exhibit I-1

Hardeman County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Highway - Road Grader	\$ 148,865	5.4 %	3-13-00	3-13-05	\$ 24,981	\$ 0	\$ 24,981	0
Highway - Backhoe	58,000	4	9-4-01	9-4-04	4,837	0	4,837	0
Energy Efficiency Loan	500,000	3	6-5-01	7-15-08	367,536	0	69,227	298,309
Jail Renovation and Addition	425,000	4.3 to 4.7	10-1-1993	4-1-05	50,000	0	50,000	0
Convenience Centers	50,000	4.35	5-19-04	5-18-16	50,000	0	3,262	46,738
Convenience Centers - Trash Compactors	95,000	3.27	10-6-04	10-6-09	0	95,000	8,826	86,174
Total Notes Payable					<u>\$ 497,354</u>	<u>\$ 95,000</u>	<u>\$ 161,133</u>	<u>\$ 431,221</u>
<u>GENERAL BONDED DEBT</u>								
<u>Payable through General Debt Service Fund</u>								
Hardeman County Industrial, Fm.H.A.	189,000	5	1-1-1975	1-1-15	\$ 93,000	\$ 0	\$ 6,000	87,000
Refunding	1,200,000	3 to 5.1	2-1-1994	1-1-09	555,000	0	115,000	440,000
School	7,000,000	4 to 5.625	1-15-1997	4-1-24	6,625,000	0	195,000	6,430,000
Total General Bonded Debt					<u>\$ 7,273,000</u>	<u>\$ 0</u>	<u>\$ 316,000</u>	<u>\$ 6,957,000</u>

Exhibit I-2

Hardeman County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Fm. H.A. Bond Requirements	Fm. H.A. Interest Requirements	Total Requirements
2006	\$ 315,000	\$ 372,508	\$ 7,000	\$ 4,175	\$ 698,683
2007	325,000	356,858	7,000	3,825	692,683
2008	350,000	340,063	8,000	3,450	701,513
2009	315,000	323,378	8,000	3,050	649,428
2010	245,000	309,000	8,000	2,650	564,650
2011	260,000	296,015	9,000	2,225	567,240
2012	275,000	281,975	9,000	1,775	567,750
2013	290,000	267,125	10,000	1,300	568,425
2014	305,000	251,175	10,000	800	566,975
2015	325,000	234,400	11,000	275	570,675
2016	345,000	216,525	0	0	561,525
2017	360,000	197,550	0	0	557,550
2018	380,000	177,750	0	0	557,750
2019	400,000	156,375	0	0	556,375
2020	425,000	133,875	0	0	558,875
2021	450,000	109,969	0	0	559,969
2022	475,000	84,656	0	0	559,656
2023	500,000	57,938	0	0	557,938
2024	530,000	29,811	0	0	559,811
Total	\$ 6,870,000	\$ 4,196,946	\$ 87,000	\$ 23,525	\$ 11,177,471

Exhibit I-3

Hardeman County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To provide funds for operations	\$ 544,049
Solid Waste/Sanitation	General Debt Service	To provide funds for debt retirement	15,811
Highway/Public Works	General Debt Service	To provide funds for debt retirement	<u>30,545</u>
Total			<u>\$ 590,405</u>

Exhibit I-4

Hardeman County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and Chapter 90, Private Acts of 1989	\$ 63,623	\$ 50,000	Auto-Owners Mutual Insurance Company
County Mayor Pro Tempore	County Commission	35,796	50,000	"
Highway Superintendent	Section 8-24-102, <u>TCA</u>	62,436	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,779 (1)	753,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	51,969	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	Auto-Owners Mutual Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	65,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	51,969	65,000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	54,779 (1)	25,000	Auto-Owners Mutual Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	57,680 (2)	25,000	"
Employee Dishonesty Coverage:				
County General Employees			150,000	Tennessee School Boards Risk Management Trust
Highway Superintendent's Office			150,000	"

(1) Includes certified public administrator supplement of \$2,810.

(2) Includes law enforcement training supplement of \$518.

Exhibit I-5

Hardeman County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 2,182,594	\$ 0	\$ 0	\$ 0	\$ 0	\$ 226,789	\$ 0	\$ 0	\$ 2,409,383
Trustee's Collections - Prior Year	116,449	0	0	0	0	12,187	0	0	128,636
Trustee's Collections - Bankruptcy	2,842	0	0	0	0	300	0	0	3,142
Circuit/Clerk & Master Collections - Prior Years	52,948	0	0	0	0	5,541	0	0	58,489
Interest and Penalty	20,279	0	0	0	0	2,161	0	0	22,440
Payments in Lieu of Taxes - Other	187,667	0	0	0	0	3,188	0	0	190,855
<u>County Local Option Taxes</u>									
Local Option Sales Tax	227,882	0	0	0	0	0	0	0	227,882
Hotel/Motel Tax	11,281	0	0	0	0	0	0	0	11,281
Wheel Tax	0	0	0	0	649,201	0	0	0	649,201
Litigation Tax - General	138,093	0	0	0	0	0	0	0	138,093
Litigation Tax - Jail, Workhouse, or Courthouse	42,819	0	0	0	0	0	0	0	42,819
Business Tax	140,670	0	0	0	0	0	0	0	140,670
<u>Statutory Local Taxes</u>									
Bank Excise Tax	53,151	0	0	0	0	0	0	0	53,151
Wholesale Beer Tax	223,634	0	0	0	0	0	0	0	223,634
Interstate Telecommunications Tax	2,580	0	0	0	0	0	0	0	2,580
Total Local Taxes	\$ 3,402,889	\$ 0	\$ 0	\$ 0	\$ 649,201	\$ 250,166	\$ 0	\$ 0	\$ 4,302,256
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 1,390	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,390
Cable TV Franchise	6,065	0	0	0	0	0	0	0	6,065
<u>Permits</u>									
Beer Permits	3,499	0	0	0	0	0	0	0	3,499
Building Permits	13,450	0	0	0	0	0	0	0	13,450
Other Permits	650	0	0	0	0	0	0	0	650
Total Licenses and Permits	\$ 25,054	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,054
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 1,523	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,523

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fines, Forfeitures and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Officers Costs	\$ 7,923	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,923
Drug Control Fines	1,979	0	1,608	0	0	0	0	0	3,587
Jail Fees	1,115	0	0	0	0	0	0	0	1,115
Data Entry Fee - Circuit Court	92	0	0	0	0	0	0	0	92
<u>General Sessions Court</u>									
Fines	40,139	0	0	0	0	0	0	0	40,139
Officers Costs	42,151	0	0	0	0	0	0	0	42,151
Game and Fish Fines	1,468	0	0	0	0	0	0	0	1,468
Drug Control Fines	3,525	0	4,403	0	0	0	0	0	7,928
Jail Fees	14,884	0	0	0	0	0	0	0	14,884
DUI Treatment Fines	5,295	0	0	0	0	0	0	0	5,295
Data Entry Fee - General Sessions Court	7,140	0	0	0	0	0	0	0	7,140
<u>Juvenile Court</u>									
Fines	200	0	0	0	0	0	0	0	200
Officers Costs	6,297	0	0	0	0	0	0	0	6,297
Data Entry Fee - Juvenile Court	1,110	0	0	0	0	0	0	0	1,110
<u>Chancery Court</u>									
Officers Costs	2,914	0	0	0	0	0	0	0	2,914
Data Entry Fee - Chancery Court	846	0	0	0	0	0	0	0	846
<u>Other Courts - In-county</u>									
Officers Costs	1,034	0	0	0	0	0	0	0	1,034
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	19,393	0	0	0	0	0	19,393
Total Fines, Forfeitures and Penalties	\$ 139,635	\$ 0	\$ 25,404	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	165,039
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 1,211,271	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,211,271
Work Release Charges for Board	848	0	0	0	0	0	0	0	848
<u>Fees</u>									
Copy Fees	6,967	0	0	0	0	0	0	0	6,967
Telephone Commissions	11,843	0	0	0	0	0	0	0	11,843

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Vending Machine Collections	\$ 207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 207
Constitutional Officers' Fees and Commissions	0	0	0	480,553	0	0	0	0	480,553
Data Processing Fee - Register	11,640	0	0	0	0	0	0	0	11,640
Data Processing Fee - Sheriff	4,021	0	0	0	0	0	0	0	4,021
<u>Other Charges for Services</u>									
Other Charges for Services	1,616	0	0	0	0	0	0	0	1,616
Total Charges for Current Services	\$ 1,248,413	\$ 0	\$ 0	\$ 480,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,728,966
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 232,513	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,100	\$ 0	\$ 240,613
Sale of Maps	2,637	0	0	0	0	0	0	0	2,637
Miscellaneous Refunds	36,488	27,486	0	0	489	0	0	0	64,463
<u>Nonrecurring Items</u>									
Insurance Recovery	470	0	0	0	67,330	0	0	0	67,800
Sale of Property	8,486	0	360	0	0	0	0	0	8,846
<u>Other Local Revenues</u>									
Other Local Revenues	15,333	0	0	0	0	0	0	0	15,333
Total Other Local Revenues	\$ 295,927	\$ 27,486	\$ 360	\$ 0	\$ 67,819	\$ 0	\$ 8,100	\$ 0	\$ 399,692
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 69,532	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,532
Clerk and Master	5,532	0	0	0	0	0	0	0	5,532
Register	29,296	0	0	0	0	0	0	0	29,296
Trustee	173,187	0	0	0	0	0	0	0	173,187
<u>Fees In Lieu of Salary</u>									
Circuit Court Clerk	36,952	0	0	0	0	0	0	0	36,952
General Sessions Court Clerk	306,147	0	0	0	0	0	0	0	306,147
Sheriff	14,989	0	0	0	0	0	0	0	14,989
Total Fees Received from County Officials	\$ 635,635	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 635,635

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 11,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,500
Airport Maintenance Program	3,355	0	0	0	0	0	0	0	3,355
State Reappraisal Grant	13,750	0	0	0	0	0	0	0	13,750
Solid Waste Grants	0	101,404	0	0	0	0	0	0	101,404
<u>Health and Welfare Grants</u>									
Health Department Programs	103,316	0	0	0	0	0	226,501	0	329,817
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	18,836	0	0	0	18,836
Litter Program	35,871	0	0	0	0	0	0	0	35,871
<u>Other State Revenues</u>									
Income Tax	1,792	0	0	0	0	0	0	0	1,792
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	42,744	0	0	0	0	0	0	0	42,744
State Revenue Sharing - T.V.A.	489,026	0	0	0	0	0	0	0	489,026
Contracted Prisoner Boarding	65,556	0	0	0	0	0	0	0	65,556
Gasoline and Motor Fuel Tax	0	0	0	0	1,946,637	0	0	0	1,946,637
Petroleum Special Tax	0	0	0	0	22,608	0	0	0	22,608
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	40,796	0	0	0	0	0	0	0	40,796
Other State Revenues	9,282	0	0	0	0	0	0	0	9,282
Total State of Tennessee	\$ 850,146	\$ 101,404	\$ 0	\$ 0	\$ 1,988,081	\$ 0	\$ 226,501	\$ 0	\$ 3,166,132
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,785	\$ 73,785
Homeland Security Grants	43,668	0	0	0	0	0	0	0	43,668
Other Federal through State	684,817	0	0	0	0	0	0	0	684,817
Total Federal Government	\$ 728,485	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,785	\$ 802,270
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 781,139	\$ 0	\$ 0	\$ 781,139

(Continued)

Exhibit I-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Other Governments and Citizens Groups (Cont.)</u>									
<u>Other</u>									
Other	\$ 2,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,200
Total Other Governments and Citizens Groups	\$ 2,200	\$ 0	\$ 0	\$ 0	\$ 0	781,139	\$ 0	\$ 0	783,339
Total	\$ 7,328,384	\$ 128,890	\$ 25,764	\$ 480,553	\$ 2,705,101	\$ 1,031,305	\$ 234,601	\$ 73,785	\$ 12,008,383

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 14,625	
Total County Commission	<u>14,625</u>	\$ 14,625

Board of Equalization

Board and Committee Members Fees	\$ 966	
Total Board of Equalization	<u>966</u>	966

Beer Board

Board and Committee Members Fees	\$ 1,970	
Total Beer Board	<u>1,970</u>	1,970

Budget and Finance Committee

Board and Committee Members Fees	\$ 2,075	
Total Budget and Finance Committee	<u>2,075</u>	2,075

Other Boards and Committees

Board and Committee Members Fees	\$ 4,550	
Travel	<u>1,890</u>	
Total Other Boards and Committees		6,440

County Mayor

County Official/Administrative Officer	\$ 63,623	
Secretary(s)	59,904	
Part-time Personnel	35,796	
Communication	3,290	
Maintenance & Repair Services- Office Equipment	798	
Postal Charges	1,100	
Travel	2,061	
Office Supplies	5,000	
Other Supplies and Materials	500	
Other Charges	151	
Office Equipment	<u>700</u>	
Total County Mayor		172,923

County Attorney

County Official/Administrative Officer	\$ 8,003	
Total County Attorney	<u>8,003</u>	8,003

Election Commission

County Official/Administrative Officer	\$ 41,575	
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(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Clerical Personnel	\$	16,960	
Overtime Pay		380	
Board and Committee Members Fees		2,650	
Election Workers		17,871	
Communication		1,349	
Legal Notices, Recording and Court Costs		7,739	
Maintenance & Repair Services- Office Equipment		2,260	
Postal Charges		2,746	
Printing, Stationery and Forms		8,730	
Rentals		15,172	
Travel		2,857	
Other Contracted Services		7,700	
Office Supplies		1,857	
Utilities		3,392	
Other Charges		172	
Office Equipment		1,688	
Total Election Commission			\$ 135,098

Register of Deeds

Educational Incentive - Official/Admin Officer	\$	2,810	
Educational Incentive - Other County Employees		1,241	
Communication		3,610	
Data Processing Services		11,193	
Maintenance & Repair Services- Office Equipment		80	
Postal Charges		452	
Office Supplies		5,762	
Data Processing Equipment		519	
Total Register of Deeds			25,667

Development

County Official/Administrative Officer	\$	16,391	
Clerical Personnel		20,746	
Part-time Personnel		1,700	
Communication		1,203	
Contracts with Government Agencies		10,785	
Rentals		3,600	
Travel		2,458	
Office Supplies		667	
Other Charges		85	
Office Equipment		1,700	
Total Development			59,335

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	30,596	
Custodial Personnel		38,023	
Communication		1,975	
Maintenance & Repair Services- Buildings		17,880	
Other Contracted Services		710	
Custodial Supplies		2,973	
Utilities		37,384	
Other Supplies and Materials		791	
Building Improvements		319	
Total County Buildings			\$ 130,651

Other General Administration

Land	\$	22,031	
Total Other General Administration			22,031

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	5,516	
Part-time Personnel		112	
Periodicals		177	
Total Accounting and Budgeting			5,805

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		40,223	
Clerical Personnel		29,015	
Part-time Personnel		10,043	
Communication		2,007	
Data Processing Services		14,428	
Dues and Memberships		1,185	
Maintenance & Repair Services- Office Equipment		590	
Postal Charges		652	
Travel		1,808	
Other Contracted Services		17,445	
Office Supplies		2,394	
Other Supplies and Materials		730	
Office Equipment		3,000	
Total Property Assessor's Office			175,489

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries & Wages	\$	21,922	
Data Processing Services		3,449	
Postal Charges		648	
Travel		3,996	
Total Reappraisal Program			\$ 30,015

County Trustee's Office

Educational Incentive - Official/Admin Officer	\$	2,810	
Educational Incentive - Other County Employees		1,500	
Communication		5,430	
Maintenance & Repair Services- Office Equipment		645	
Postal Charges		7,232	
Office Supplies		4,021	
Office Equipment		1,243	
Total County Trustee's Office			22,881

County Clerk's Office

Communication	\$	3,263	
Maintenance & Repair Services- Office Equipment		23,084	
Postal Charges		4,387	
Office Supplies		4,900	
Office Equipment		480	
Total County Clerk's Office			36,114

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		40,714	
Clerical Personnel		94,677	
Part-time Personnel		10,629	
Jury and Witness Fees		10,069	
Other Per Diem & Fees		685	
Communication		3,291	
Maintenance & Repair Services- Office Equipment		645	
Postal Charges		5,354	
Office Supplies		11,471	
Other Charges		187	
Office Equipment		7,105	
Total Circuit Court			236,796

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	74,957	
Secretary(s)		6,180	
Part-time Personnel		2,400	
Communication		393	
Dues and Memberships		191	
Travel		596	
Office Supplies		388	
Office Equipment		265	
Total General Sessions Court			\$ 85,370

Chancery Court

Communication	\$	2,722	
Data Processing Services		588	
Legal Notices, Recording and Court Costs		2,178	
Maintenance & Repair Services- Office Equipment		595	
Postal Charges		7,009	
Office Supplies		4,815	
Total Chancery Court			17,907

Juvenile Court

Part-time Personnel	\$	1,590	
Other Salaries & Wages		23,177	
Communication		3,946	
Contracts with Government Agencies		2,997	
Contracts with Other Public Agencies		4,865	
Transportation - Other than Students		1,658	
Travel		1,040	
Office Supplies		981	
Other Charges		235	
Office Equipment		215	
Total Juvenile Court			40,704

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,162	
Assistant(s)		33,915	
Deputy(ies)		450,699	
Investigator(s)		58,015	
Salary Supplements		7,780	
Dispatchers/Radio Operators		79,527	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Secretary(s)	\$	40,107	
Part-time Personnel		19,719	
Overtime Pay		16,837	
In-Service Training		2,630	
Communication		11,340	
Dues and Memberships		1,529	
Maintenance & Repair Services- Vehicles		19,722	
Postal Charges		2,778	
Travel		2,842	
Drugs and Medical Supplies		78	
Gasoline		59,758	
Office Supplies		9,392	
Tires and Tubes		1,215	
Uniforms		7,872	
Medical Claims		1,595	
Other Charges		6,141	
Communication Equipment		9,280	
Motor Vehicles		28,959	
Office Equipment		37,030	
Total Sheriff's Department			\$ 965,922

Workhouse

Medical Personnel	\$	625	
Guards		202,398	
Cafeteria Personnel		26,583	
Part-time Personnel		6,550	
Overtime Pay		16,449	
Communication		2,817	
Maintenance & Repair Services- Buildings		2,345	
Maintenance & Repair Services- Equipment		4,978	
Medical and Dental Services		4,628	
Custodial Supplies		12,828	
Drugs and Medical Supplies		6,336	
Electricity		41,481	
Food Preparation Supplies		2,173	
Food Supplies		99,621	
Other Supplies and Materials		1,608	
Other Charges		2,546	
Building Improvements		9,669	
Communication Equipment		21,326	
Total Workhouse			464,961

(Continued)

Exhibit I-6

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Juvenile Services</u>		
Supervisor/Director	\$ 25,601	
Total Juvenile Services		\$ 25,601
 <u>Fire Prevention and Control</u>		
Contracts with Government Agencies	\$ 59,200	
Total Fire Prevention and Control		59,200
 <u>Civil Defense</u>		
Supervisor/Director	\$ 5,239	
Communication	1,813	
Other Charges	1,141	
Other Equipment	43,677	
Total Civil Defense		51,870
 <u>County Coroner/Medical Examiner</u>		
Other Contracted Services	\$ 26,405	
Total County Coroner/Medical Examiner		26,405
 <u>Public Health and Welfare</u>		
<u>Local Health Center</u>		
Communication	\$ 6,064	
Contracts with Government Agencies	25,320	
Janitorial Services	11,929	
Maintenance & Repair Services- Buildings	11,057	
Postal Charges	3,772	
Custodial Supplies	2,619	
Drugs and Medical Supplies	96	
Office Supplies	2,773	
Utilities	10,737	
Other Supplies and Materials	5,877	
Other Capital Outlay	125,197	
Total Local Health Center		205,441
 <u>Rabies and Animal Control</u>		
County Official/Administrative Officer	\$ 21,000	
Communication	376	
Maintenance & Repair Services- Vehicles	582	
Animal Food and Supplies	263	
Gasoline	5,753	
Other Supplies and Materials	2,868	
Total Rabies and Animal Control		30,842

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Assistant(s)	\$	26,559	
Supervisor/Director		37,149	
Clerical Personnel		18,316	
Attendants		606,298	
Educational Incentive - Official/Admin Officer		1,500	
Educational Incentive - Other County Employees		2,517	
Overtime Pay		205,375	
In-Service Training		7,109	
Communication		15,670	
Contracts with Private Agencies		15,525	
Maintenance & Repair Services- Buildings		8,541	
Maintenance & Repair Services- Vehicles		49,685	
Postal Charges		7,279	
Travel		3,110	
Custodial Supplies		3,787	
Drugs and Medical Supplies		90,845	
Gasoline		43,117	
Office Supplies		12,034	
Tires and Tubes		4,184	
Uniforms		6,274	
Utilities		8,065	
Refunds		15,200	
Other Charges		7,473	
Motor Vehicles		88,565	
Other Equipment		8,002	
Other Capital Outlay		5,567	
Total Ambulance/Emergency Medical Services			\$ 1,297,746

Dental Health Program

Medical Personnel	\$	36,982	
Paraprofessionals		18,867	
Clerical Personnel		12,581	
Travel		3,039	
Drugs and Medical Supplies		16,889	
Total Dental Health Program			88,358

Alcohol and Drug Programs

Contributions	\$	2,500	
Total Alcohol and Drug Programs			2,500

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Crippled Children Services

Contracts with Government Agencies	\$ 1,779	
Total Crippled Children Services	<u>1,779</u>	\$ 1,779

Other Local Health Services

Contracts with Other Public Agencies	\$ 2,000	
Total Other Local Health Services	<u>2,000</u>	2,000

Regional Mental Health Center

Contributions	\$ 2,500	
Total Regional Mental Health Center	<u>2,500</u>	2,500

Other Local Welfare Services

Other Contracted Services	\$ 5,000	
Total Other Local Welfare Services	<u>5,000</u>	5,000

Sanitation Education/Information

Foremen	\$ 10,242	
Laborers	6,063	
Instructional Supplies and Materials	4,372	
Other Supplies and Materials	438	
Other Charges	719	
Total Sanitation Education/Information	<u>21,834</u>	21,834

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$ 1,500	
Total Senior Citizens Assistance	<u>1,500</u>	1,500

Libraries

Part-time Personnel	\$ 1,595	
Contributions	7,150	
Other Contracted Services	81,456	
Total Libraries	<u>90,201</u>	90,201

Other Social, Cultural and Recreational

Contributions	\$ 2,500	
Total Other Social, Cultural and Recreational	<u>2,500</u>	2,500

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	43,836	
Communication		2,140	
Rentals		17,360	
Custodial Supplies		12,907	
Utilities		3,231	
Other Supplies and Materials		232	
Other Capital Outlay		1,305	
Total Agriculture Extension Service			\$ 81,011

Forest Service

Other Contracted Services	\$	2,000	
Total Forest Service			2,000

Soil Conservation

Secretary(s)	\$	18,315	
Dues and Memberships		1,005	
Travel		1,760	
Other Supplies and Materials		1,093	
Total Soil Conservation			22,173

Other Operations

Industrial Development

Contributions	\$	36,000	
Total Industrial Development			36,000

Airport

Communication	\$	1,293	
Maintenance & Repair Services- Buildings		8,260	
Maintenance & Repair Services- Equipment		5,506	
Other Contracted Services		12,144	
Utilities		8,482	
Airport Improvement		742,000	
Other Capital Outlay		49,067	
Total Airport			826,752

Veterans' Services

Secretary(s)	\$	6,727	
Communication		456	
Postal Charges		48	
Total Veterans' Services			7,231

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$	1,500	
Dues and Memberships		18,267	
Total Contributions to Other Agencies			\$ 19,767

Employee Benefits

Social Security	\$	205,126	
State Retirement		291,778	
Employee and Dependent Insurance		559,304	
Disability Insurance		136,531	
Unemployment Compensation		4,741	
Employer Medicare		47,911	
Total Employee Benefits			1,245,391

Miscellaneous

Audit Services	\$	6,420	
Contributions		18,750	
Data Processing Services		27,015	
Dues and Memberships		6,682	
Legal Notices, Recording and Court Costs		5,175	
Other Contracted Services		2,700	
Other Supplies and Materials		3,249	
Liability Insurance		120,033	
Premiums on Corporate Surety Bonds		1,212	
Trustee's Commission		79,443	
Other Charges		4,592	
Total Miscellaneous			275,271

Total General Fund \$ 7,092,621

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Contracts with Private Agencies	\$	215,408	
Other Contracted Services		40,987	
Total Waste Pickup			\$ 256,395

Convenience Centers

Supervisor/Director	\$	16,351	
Part-time Personnel		121,834	
Communication		5,649	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Travel	\$	99	
Other Contracted Services		172,670	
Gasoline		2,178	
Office Supplies		225	
Road Signs		1,440	
Uniforms		247	
Other Supplies and Materials		2,947	
Other Charges		36,774	
Other Capital Outlay		101,119	
Total Convenience Centers			\$ 461,533

Other Operations

Employee Benefits

Social Security	\$	4,616	
Unemployment Compensation		295	
Employer Medicare		1,080	
Total Employee Benefits			5,991

Total Solid Waste/Sanitation Fund \$ 723,919

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	230	
Maintenance & Repair Services- Vehicles		75	
Gasoline		29	
Instructional Supplies and Materials		6,236	
Office Supplies		864	
Trustee's Commission		64	
Law Enforcement Equipment		14,607	
Other Equipment		1,193	
Total Drug Enforcement			\$ 23,298

Total Drug Control Fund 23,298

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	106,903	
Total Register of Deeds			\$ 106,903

(Continued)

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

Constitutional Officers - Fees Fund (Cont.)

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 117,430	
Total County Trustee's Office		\$ 117,430

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 145,594	
Total County Clerk's Office		145,594

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 107,461	
Total Chancery Court		<u>107,461</u>

Total Constitutional Officers - Fees Fund		\$ 477,388
---	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 62,436	
Secretary(s)	45,655	
Board and Committee Members Fees	6,950	
Communication	4,400	
Data Processing Services	5,231	
Dues and Memberships	4,732	
Legal Services	2,636	
Legal Notices, Recording and Court Costs	398	
Maintenance & Repair Services- Office Equipment	145	
Postal Charges	777	
Travel	1,292	
Other Contracted Services	1,385	
Electricity	17,829	
Office Supplies	4,787	
Other Supplies and Materials	870	
Office Equipment	<u>500</u>	
Total Administration		\$ 160,023

Highway and Bridge Maintenance

Foremen	\$ 136,828
Laborers	478,623
Overtime Pay	12,434
Other Salaries & Wages	9,633

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Rentals	\$	2,374	
Other Contracted Services		732	
Asphalt - Hot Mix		494,836	
Asphalt - Liquid		187,196	
Crushed Stone		121,442	
General Construction Materials		1,668	
Pipe		39,341	
Road Signs		22,476	
Wood Products		23,922	
Chemicals		13,325	
Other Supplies and Materials		123	
Total Highway and Bridge Maintenance			\$ 1,544,953

Operation and Maintenance of Equipment

Foremen	\$	28,424	
Mechanic(s)		71,253	
Overtime Pay		2,700	
Other Salaries & Wages		1,955	
Equipment and Machinery Parts		109,803	
Garage Supplies		514	
Gasoline		166,625	
Lubricants		9,352	
Tires and Tubes		21,604	
Uniforms		12,831	
Other Supplies and Materials		987	
Total Operation and Maintenance of Equipment			426,048

Other Charges

Liability Insurance	\$	56,503	
Trustee's Commission		26,200	
Liability Claims		1,356	
Other Charges		888	
Total Other Charges			84,947

Employee Benefits

Social Security	\$	49,283	
State Retirement		86,876	
Employee and Dependent Insurance		176,488	
Disability Insurance		68,989	
Unemployment Compensation		3,887	

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

Employer Medicare	\$	12,228	
Other Fringe Benefits		895	
Total Employee Benefits			\$ 398,646

Capital Outlay

Bridge Construction	\$	181,218	
Building Improvements		5,000	
Communication Equipment		2,396	
Highway Equipment		136,998	
State Aid Projects		265,489	
Other Equipment		2,000	
Other Capital Outlay		39,845	
Total Capital Outlay			632,946

Total Highway/Public Works Fund \$ 3,247,563

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	6,000	
Principal on Notes		62,088	
Total General Government			\$ 68,088

Highways and Streets

Principal on Notes	\$	29,818	
Total Highways and Streets			29,818

Education

Principal on Bonds	\$	310,000	
Principal on Notes		69,227	
Total Education			379,227

Interest

General Government

Interest on Bonds	\$	4,500	
Interest on Notes		6,074	
Total General Government			10,574

Highways and Streets

Interest on Notes	\$	727	
Total Highways and Streets			727

(Continued)

Exhibit I-6

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

General Debt Service Fund (Cont.)

Interest (Cont.)

Education

Interest on Bonds	\$ 390,201	
Interest on Notes	11,026	
Total Education		\$ 401,227

Other Debt Service

General Government

Trustee's Commission	\$ 4,945	
Other Charges	1,011	
Total General Government		5,956

Total General Debt Service Fund \$ 895,617

General Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Engineering Services	\$ 58,315	
Other Charges	8,500	
Other Construction	718,772	
Total Public Health and Welfare Projects		\$ 785,587

Total General Capital Projects Fund 785,587

Community Development/Industrial Park Fund

Other Operations

Other Economic and Community Development

Engineering Services	\$ 6,467	
Other Contracted Services	67,318	
Total Other Economic and Community Development		\$ 73,785

Total Community Development/Industrial Park Fund 73,785

Total Governmental Funds - Primary Government \$ 13,319,778

Exhibit I-7

Hardeman County, Tennessee
Schedule of Detailed Receipts, Disbursements
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,154,283
Total Cash Receipts	<u>\$ 1,154,283</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,142,740
Trustee's Commission	<u>11,543</u>
Total Cash Disbursements	<u>\$ 1,154,283</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Hardeman County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

<u>Year</u>	<u>Amount</u>
1995	\$ 14,098
1996	15,514
1997	13,851
1998	15,714
1999	20,381
2000	39,936
2001	32,449
2002	35,606
2003	<u>163,266</u>
Total	<u>\$ 350,815</u>

Table 2

Hardeman County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.68	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.61	\$ 0.50	\$ 0.50	\$ 0.86	\$ 0.86
Highway/Public Works	0.14	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
General Purpose School	1.98	1.78	1.95	1.95	1.95	1.95	1.56	1.56	1.56	1.56
General Debt Service	0.11	0.10	0.13	0.13	0.13	0.13	0.09	0.09	0.09	0.09
Total Tax Rates	\$ 2.91	\$ 2.62	\$ 2.69	\$ 2.69	\$ 2.69	\$ 2.69	\$ 2.15	\$ 2.15	\$ 2.51	\$ 2.51
<u>Assessed Valuation</u>										
Real and Personal	\$ 137,436,806	\$ 158,809,677	\$ 164,946,754	\$ 169,622,930	\$ 183,695,863	\$ 186,380,573	\$ 243,392,049	\$ 248,945,450	\$ 255,146,239	\$ 255,959,682
Public Utilities	18,287,006	19,108,502	19,292,602	17,347,355	16,968,676	16,435,701	20,852,622	20,852,622	17,063,710	18,690,137
Total Assessed Valuation	\$ 155,723,812	\$ 177,918,179	\$ 184,239,356	\$ 186,970,285	\$ 200,664,539	\$ 202,816,274	\$ 264,244,671	\$ 269,798,072	\$ 272,209,949	\$ 274,649,819

ANNUAL FINANCIAL REPORT
HARDEMAN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HARDEMAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORM R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MARVIN E. BOND, CGFM
ELISHA CROWELL
State Auditors

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

**HARDEMAN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF
HARDEMAN COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Hardeman County School Department
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Hardeman County School Department as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

HARDEMAN COUNTY SCHOOL DEPARTMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The director of schools misappropriated equipment and supplies, resulting in a cash shortage of \$9,579.23.

OTHER FINDING

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

State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit

INTRODUCTORY SECTION

Hardeman County School Officials
June 30, 2005

Officials:

Charles J. Johnson, Director of Schools

Board of Education:

Tommy Sain, Chairman
Stephen Allen
Gregory Barnes
Misty Crowley
Terry King

Jerry McCord
Ken Moore
Thomas Polk
Larry Williams

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

October 6, 2005

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Hardeman County School Department, a component unit of Hardeman County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 28, which collectively comprise a portion of the Hardeman County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hardeman County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hardeman County School Department as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Hardeman County School Department as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2005, on our consideration of the Hardeman County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., the Hardeman County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 31 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardeman County, Tennessee
Balance Sheet - Governmental Funds
Hardeman County School Department
June 30, 2005

	<u>Major Funds</u>		Total Govern- mental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 6,394,617	\$ 149,064	\$ 6,543,681
Accounts Receivable	9,887	0	9,887
Due from Other Governments	459,639	108,734	568,373
Due from Other Funds	49,498	0	49,498
Property Taxes Receivable	4,235,767	0	4,235,767
Allowance for Uncollectible Property Taxes	(230,422)	0	(230,422)
Cash Shortage	9,054	0	9,054
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 10,928,040	\$ 257,798	\$ 11,185,838
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,106	\$ 0	\$ 1,106
Deferred Revenue - Current Property Taxes	3,773,558	0	3,773,558
Deferred Revenue - Delinquent Property Taxes	213,919	0	213,919
Other Deferred Revenues	205,400	0	205,400
Total Liabilities	<hr/>	<hr/>	<hr/>
	\$ 4,193,983	\$ 0	\$ 4,193,983
<u>Fund Balances</u>			
Reserved for Driver Education	\$ 20,070	\$ 0	\$ 20,070
Reserved for Career Ladder - Extended Contract	49,232	0	49,232
Reserved for Career Ladder Program	12,320	0	12,320
Reserved for Title I Grants to Local Education Agencies	0	85,609	85,609
Reserved for Innovative Education Program Strategies	0	27,505	27,505
Reserved for Special Education - Grants to States	0	72,586	72,586
Other Federal Reserves	0	72,098	72,098
Unreserved, Reported In:			
General Fund	6,652,435	0	6,652,435
Total Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 6,734,057	\$ 257,798	\$ 6,991,855
Total Liabilities and Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 10,928,040	\$ 257,798	\$ 11,185,838

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

Exhibit B

Hardeman County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Hardeman County School Department
For the Year Ended June 30, 2005

	Major Funds		
	General Purpose School	School Federal Projects	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 6,678,413	\$ 0	\$ 6,678,413
Licenses and Permits	3,724	0	3,724
Charges for Current Services	34,163	0	34,163
Other Local Revenues	264,453	0	264,453
State of Tennessee	18,986,583	0	18,986,583
Federal Government	1,593,756	3,174,486	4,768,242
Total Revenues	<u>\$ 27,561,092</u>	<u>\$ 3,174,486</u>	<u>\$ 30,735,578</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,544,953	\$ 2,719,887	\$ 20,264,840
Support Services	7,959,626	447,669	8,407,295
Operation of Non-Instructional Services	1,606,434	0	1,606,434
Capital Outlay	3,241,487	0	3,241,487
Debt Service:			
Other Debt Service	781,139	0	781,139
Total Expenditures	<u>\$ 31,133,639</u>	<u>\$ 3,167,556</u>	<u>\$ 34,301,195</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,572,547)</u>	<u>\$ 6,930</u>	<u>\$ (3,565,617)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 86,525	\$ 0	\$ 86,525
Transfers Out	0	(86,525)	(86,525)
Total Other Financing Sources (Uses)	<u>\$ 86,525</u>	<u>\$ (86,525)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (3,486,022)	\$ (79,595)	\$ (3,565,617)
Fund Balance, July 1, 2004	10,220,079	337,393	10,557,472
Fund Balance, June 30, 2005	<u>\$ 6,734,057</u>	<u>\$ 257,798</u>	<u>\$ 6,991,855</u>

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

Hardeman County School Department
Statement of Net Assets
Proprietary Fund
June 30, 2005

	<u>Internal Service Fund Unemployment Compensation</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ <u>26,543</u>
Total Assets	\$ <u>26,543</u>
<u>NET ASSETS</u>	
Unrestricted	\$ <u>26,543</u>
Total Net Assets	\$ <u><u>26,543</u></u>

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

Exhibit C-2

Hardeman County School Department
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Internal Service Fund Unemployment Compensation</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
<u>Education Charges</u>	
Receipts from Individual Schools	\$ 45,120
Total Operating Revenues	<u>\$ 45,120</u>
<u>Operating Expenses</u>	
<u>Board of Education</u>	
Other Charges	\$ 19,981
Total Operating Expenses	<u>\$ 19,981</u>
Operating Income	<u>\$ 25,139</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 105
Total Nonoperating Revenues	<u>\$ 105</u>
Change in Net Assets	\$ 25,244
Net Assets, July 1, 2004	<u>1,299</u>
Net Assets, June 30, 2005	<u><u>\$ 26,543</u></u>

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

Exhibit C-3

Hardeman County School Department
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Internal Service Fund Unemployment Compensation
<u>Cash Flows From Operating Activities</u>	
Receipts from Individual Schools	\$ 45,120
Other Charges	(19,981)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 25,139</u>
<u>Cash Flows From Investing Activities</u>	
Investment Income	\$ 105
Net Cash Provided by (Used in) Investing Activities	<u>\$ 105</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 25,244
Cash and Cash Equivalents, July 1, 2004	<u>1,299</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 26,543</u></u>

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

**HARDEMAN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HARDEMAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

The Hardeman County School Department operates the public school system in the county, and the voters of Hardeman County elect its nine-member board. The School Department is a component unit of Hardeman County, the primary government. The School Department is fiscally dependent on Hardeman County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Hardeman County Commission's approval. The School Department's taxes are levied under the

taxing authority of Hardeman County and are included as part of Hardeman County's total tax levy.

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund is 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 School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Property taxes for the period levied, in lieu of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the School Department receives cash.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental funds:

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

School Federal Projects Fund – This fund accounts for restricted federal revenues which must be expended on specific education programs.

Additionally, the School Department reports the following fund type:

Internal Service Fund – The Unemployment Compensation Fund accounts for unemployment compensation for former School Department employees.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The School Department has one proprietary fund, an internal service fund, used to account for former employees' unemployment compensation payments. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the School Department's internal service fund are charges for current services. Operating expenses for the internal service fund consist of unemployment compensation payments for former School Department employees.

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes funds held by the county trustee as Equity in Pooled Cash and Investments.

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

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

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

2. Receivables and Payables

All outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.82 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 deferred revenue as of June 30.

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

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

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

3. Capital Assets

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

4. Compensated Absences

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the School Department 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.

5. Net Assets and Fund Equity

In the proprietary funds, equity is classified as net assets and displayed in three components:

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

governments or (2) law through constitutional provisions or enabling legislation.

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

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Cash Shortage

The General Purpose School Fund had a cash shortage of \$9,054 as of June 30, 2005. This cash shortage was liquidated subsequent to June 30, 2005. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of the Single Audit Report.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase. The School Department had no pooled or nonpooled investments as of June 30, 2005.

B. Interfund Receivables, Payables ,and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

The receivable in the General Purpose School Fund (\$49,498) was in transit from the School Federal Projects Fund.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	\$ 86,525
Total	\$ 86,525

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.

C. Long-term Debt

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:	Compensated Absences
Balance, July 1, 2004	\$ 45,040
Additions	40,200
Deductions	(35,520)
Balance, June 30, 2005	\$ 49,720
Balance Due Within One Year	\$ 46,500

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

IV. OTHER INFORMATION

A. Risk Management

Employee Health Insurance

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 8-27-302, Tennessee Code Annotated (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.

Liability, Property, Casualty and Workers' Compensation Insurance

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, casualty and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Change

During the year, the Hardeman County School Department adopted certain provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investments Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Change in Administration

On June 30, 2005, Charles J. Johnson resigned as director of schools. On July 14, 2005, Dr. Donald J. Hopper was appointed director of schools.

D. Contingent Liabilities

The county attorney advised of no pending lawsuits or asserted claims or assessments involving the School Department that would materially affect the School Department's financial statements.

E. Retirement Commitments

Plan Description

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

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

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

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Hardeman County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Hardeman County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$848,836, \$491,636, and \$440,069, respectively, equal to the required contributions for each year.

F. Purchasing Law

Purchasing procedures for the School Department are governed by Chapter 90, Private Acts of 1989, as amended, and Section 49-2-203, Tennessee Code Annotated. Chapter 90, Private Acts of 1989, as amended, designates the county mayor as county purchasing agent and authorizes him to make purchases for the School Department, except for purchases costing less than \$5,000, which may be made directly by the director of schools. These statutes also require the issuance of purchase orders and the solicitation of bids through newspaper advertisements for all purchases of \$5,000 or more.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hardeman County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,678,413	\$ 6,840,800	\$ 6,840,800	\$ (162,387)
Licenses and Permits	3,724	4,000	4,000	(276)
Charges for Current Services	34,163	17,000	17,000	17,163
Other Local Revenues	264,453	139,500	139,500	124,953
State of Tennessee	18,986,583	19,852,554	20,081,231	(1,094,648)
Federal Government	1,593,756	1,595,030	1,832,030	(238,274)
Total Revenues	<u>\$ 27,561,092</u>	<u>\$ 28,448,884</u>	<u>\$ 28,914,561</u>	<u>\$ (1,353,469)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 14,233,335	\$ 14,944,802	\$ 15,148,929	\$ 915,594
Alternative Instruction Program	0	79,983	79,983	79,983
Special Education Program	2,467,126	2,926,441	2,950,991	483,865
Vocational Education Program	844,492	1,046,286	1,046,286	201,794
<u>Support Services</u>				
Attendance	88,515	175,786	175,786	87,271
Health Services	175,445	210,025	210,025	34,580
Other Student Support	459,020	712,759	712,759	253,739
Regular Instruction Program	739,710	886,415	886,415	146,705
Alternative Instruction Program	61,063	98,703	98,703	37,640
Special Education Program	426,455	479,229	479,229	52,774
Vocational Education Program	74,988	80,634	80,634	5,646
Board of Education	434,260	516,408	516,408	82,148
Director of Schools	247,219	295,573	295,573	48,354
Office of the Principal	1,573,470	1,718,450	1,718,450	144,980
Fiscal Services	141,087	271,556	271,556	130,469
Operation of Plant	1,515,250	1,747,696	1,747,696	232,446
Maintenance of Plant	379,094	552,951	552,951	173,857
Transportation	1,528,943	1,614,494	1,714,494	185,551
Central and Other	115,107	175,774	175,774	60,667
<u>Operation of Non-Instructional Services</u>				
Food Service	1,560,322	1,583,548	1,820,548	260,226
Community Services	46,112	79,948	79,948	33,836
<u>Capital Outlay</u>				
Regular Capital Outlay	3,241,487	4,856,000	4,856,000	1,614,513
<u>Principal</u>				
Education	0	305,000	0	0
<u>Interest</u>				
Education	0	410,000	0	0
<u>Other Debt Service</u>				
Education	781,139	80,254	795,254	14,115
Total Expenditures	<u>\$ 31,133,639</u>	<u>\$ 35,848,715</u>	<u>\$ 36,414,392</u>	<u>\$ 5,280,753</u>

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,572,547)	\$ (7,399,831)	\$ (7,499,831)	\$ 3,927,284
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 86,525	\$ 5,500	\$ 5,500	\$ 81,025
Total Other Financing Sources (Uses)	\$ 86,525	\$ 5,500	\$ 5,500	\$ 81,025
Net Change in Fund Balance	\$ (3,486,022)	\$ (7,394,331)	\$ (7,494,331)	\$ 4,008,309
Fund Balance, July 1, 2004	10,220,079	10,191,163	10,191,163	28,916
Fund Balance, June 30, 2005	\$ 6,734,057	\$ 2,796,832	\$ 2,696,832	\$ 4,037,225

Exhibit D-2

Hardeman County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Hardeman County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,174,486	\$ 2,806,809	\$ 3,240,179	\$ (65,693)
Total Revenues	<u>\$ 3,174,486</u>	<u>\$ 2,806,809</u>	<u>\$ 3,240,179</u>	<u>\$ (65,693)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,737,395	\$ 1,458,763	\$ 1,889,675	\$ 152,280
Special Education Program	883,358	950,825	954,375	71,017
Vocational Education Program	99,134	89,941	99,134	0
<u>Support Services</u>				
Attendance	25	0	100	75
Health Services	58,677	61,944	94,826	36,149
Other Student Support	16,650	29,044	22,960	6,310
Regular Instruction Program	229,793	316,124	276,864	47,071
Special Education Program	142,524	135,224	144,872	2,348
Vocational Education Program	0	3,500	0	0
Operation of Plant	0	0	700	700
Total Expenditures	<u>\$ 3,167,556</u>	<u>\$ 3,045,365</u>	<u>\$ 3,483,506</u>	<u>\$ 315,950</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,930</u>	<u>\$ (238,556)</u>	<u>\$ (243,327)</u>	<u>\$ 250,257</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 50,936	\$ (50,936)
Transfers Out	(86,525)	(85,578)	(127,676)	41,151
Total Other Financing Sources (Uses)	<u>\$ (86,525)</u>	<u>\$ (85,578)</u>	<u>\$ (76,740)</u>	<u>\$ (9,785)</u>
Net Change in Fund Balance	\$ (79,595)	\$ (324,134)	\$ (320,067)	\$ 240,472
Fund Balance, July 1, 2004	<u>337,393</u>	<u>337,393</u>	<u>337,393</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 257,798</u>	<u>\$ 13,259</u>	<u>\$ 17,326</u>	<u>\$ 240,472</u>

**HARDEMAN COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF HARDEMAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

BUDGETARY INFORMATION

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

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

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP).

MISCELLANEOUS SCHEDULES

Exhibit E-1

Hardeman County School Department
Schedule of Transfers
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ <u>86,525</u>
Total Transfers			\$ <u><u>86,525</u></u>

Exhibit E-2

Hardeman County School Department
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 111,141 (1)	\$ 50,000	Auto-Owners Mutual Insurance Company
Employee Dishonesty Coverage: Office of Director of Schools: School Central Office Staff			150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,700.

Exhibit E-3

Hardeman County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Hardeman County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 3,959,120	\$ 0	\$ 3,959,120
Trustee's Collections - Prior Year	211,238	0	211,238
Trustee's Collections - Bankruptcy	5,212	0	5,212
Circuit/Clerk & Master Collections - Prior Years	96,045	0	96,045
Interest and Penalty	38,046	0	38,046
Payments in Lieu of Taxes - Other	60,384	0	60,384
<u>County Local Option Taxes</u>			
Local Option Sales Tax	2,302,943	0	2,302,943
Other County Local Option Taxes	403	0	403
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	5,022	0	5,022
Total Local Taxes	<u>\$ 6,678,413</u>	<u>\$ 0</u>	<u>\$ 6,678,413</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 3,724	\$ 0	\$ 3,724
Total Licenses and Permits	<u>\$ 3,724</u>	<u>\$ 0</u>	<u>\$ 3,724</u>
<u>Charges for Current Services</u>			
<u>Fees</u>			
Vending Machine Collections	\$ 617	\$ 0	\$ 617
<u>Education Charges</u>			
Tuition - Summer School	9,090	0	9,090
School Based Health Services - FFS	10,936	0	10,936
Receipts from Individual Schools	8,720	0	8,720
TBI Criminal Background Fee	4,800	0	4,800
Total Charges for Current Services	<u>\$ 34,163</u>	<u>\$ 0</u>	<u>\$ 34,163</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 7,086	\$ 0	\$ 7,086
Lease/Rentals	34,211	0	34,211
Sale of Materials and Supplies	171	0	171
Miscellaneous Refunds	117,315	0	117,315
<u>Nonrecurring Items</u>			
Insurance Recovery	13,809	0	13,809
Sale of Equipment	17,994	0	17,994
Damages Recovered from Individuals	175	0	175
Contributions & Gifts	6,755	0	6,755
<u>Other Local Revenues</u>			
Other Local Revenues	66,937	0	66,937
Total Other Local Revenues	<u>\$ 264,453</u>	<u>\$ 0</u>	<u>\$ 264,453</u>
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 18,350,075	\$ 0	\$ 18,350,075
School Food Service	28,348	0	28,348
Driver Education	7,980	0	7,980

(Continued)

Exhibit E-3

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Other State Education Funds	\$ 195,128	\$ 0	\$ 195,128
Career Ladder Program	273,194	0	273,194
Career Ladder - Extended Contract	131,858	0	131,858
Total State of Tennessee	<u>\$ 18,986,583</u>	<u>\$ 0</u>	<u>\$ 18,986,583</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 1,046,994	\$ 0	\$ 1,046,994
Breakfast	437,922	0	437,922
USDA - Other	7,288	0	7,288
Vocational Education - Basic Grants to States	0	111,781	111,781
Title I Grants to Local Education Agencies	0	1,313,107	1,313,107
Innovative Education Program Strategies	0	168,650	168,650
Special Education - Grants to States	83,514	1,020,715	1,104,229
Special Education Preschool Grants	0	48,382	48,382
Eisenhower Professional Development State Grants	0	320,773	320,773
Other Federal through State	18,038	191,078	209,116
Total Federal Government	<u>\$ 1,593,756</u>	<u>\$ 3,174,486</u>	<u>\$ 4,768,242</u>
Total	<u>\$ 27,561,092</u>	<u>\$ 3,174,486</u>	<u>\$ 30,735,578</u>

Exhibit E-4

Hardeman County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Hardeman County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,920,372	
Career Ladder Program	152,705	
Career Ladder Extended Contracts	144,275	
Homebound Teachers	26,331	
Educational Assistants	245,214	
Other Salaries & Wages	69,578	
Certified Substitute Teachers	80,579	
Social Security	657,723	
State Retirement	590,621	
Medical Insurance	1,381,701	
Dental Insurance	57,604	
Unemployment Compensation	23,120	
Employer Medicare	153,822	
Maintenance & Repair Services- Equipment	36,172	
Other Contracted Services	3,310	
Instructional Supplies and Materials	154,081	
Textbooks	247,877	
Other Supplies and Materials	1,865	
Regular Instruction Equipment	286,385	
Total Regular Instruction Program		\$ 14,233,335

Special Education Program

Teachers	\$ 1,292,579	
Career Ladder Program	18,000	
Career Ladder Extended Contracts	8,085	
Homebound Teachers	10,800	
Educational Assistants	234,797	
Certified Substitute Teachers	7,314	
Social Security	97,438	
State Retirement	93,594	
Medical Insurance	180,484	
Dental Insurance	6,919	
Unemployment Compensation	4,080	
Employer Medicare	22,788	
Contracts with Other School Systems	157,231	
Contracts with Private Agencies	276,691	
Instructional Supplies and Materials	53,468	
Other Charges	526	
Special Education Equipment	2,332	
Total Special Education Program		2,467,126

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	624,735	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		1,200	
Certified Substitute Teachers		2,134	
Social Security		39,560	
State Retirement		34,984	
Medical Insurance		90,464	
Dental Insurance		3,114	
Unemployment Compensation		1,440	
Employer Medicare		9,252	
Maintenance & Repair Services- Equipment		2,114	
Instructional Supplies and Materials		25,495	
Total Vocational Education Program			\$ 844,492

Support Services

Attendance

Supervisor/Director	\$	41,544	
Career Ladder Program		280	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		12,071	
Social Security		3,589	
State Retirement		3,787	
Medical Insurance		4,594	
Dental Insurance		123	
Unemployment Compensation		160	
Employer Medicare		839	
Travel		1,153	
Other Contracted Services		15,712	
Other Supplies and Materials		488	
In Service/Staff Development		175	
Total Attendance			88,515

Health Services

Medical Personnel	\$	113,904
Social Security		7,062
State Retirement		12,097
Medical Insurance		22,703
Dental Insurance		987
Unemployment Compensation		240

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Employer Medicare	\$	1,652	
Travel		2,693	
Other Contracted Services		910	
Drugs and Medical Supplies		6,970	
Other Supplies and Materials		5,749	
In Service/Staff Development		335	
Other Charges		143	
Total Health Services			\$ 175,445

Other Student Support

Career Ladder Program	\$	9,000	
Guidance Personnel		341,710	
Career Ladder Extended Contracts		6,440	
Social Security		22,143	
State Retirement		19,643	
Medical Insurance		33,225	
Dental Insurance		1,419	
Unemployment Compensation		800	
Employer Medicare		5,179	
Evaluation and Testing		19,461	
Total Other Student Support			459,020

Regular Instruction Program

Supervisor/Director	\$	61,000	
Career Ladder Program		16,000	
Career Ladder Extended Contracts		19,730	
Librarians		383,994	
Educational Assistants		60,342	
Social Security		33,546	
State Retirement		32,848	
Medical Insurance		54,748	
Dental Insurance		2,468	
Unemployment Compensation		1,200	
Employer Medicare		7,845	
Travel		723	
Library Books/Media		65,266	
Total Regular Instruction Program			739,710

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program

Supervisor/Director	\$	49,624	
Social Security		3,077	
State Retirement		2,729	
Medical Insurance		4,627	
Dental Insurance		206	
Unemployment Compensation		80	
Employer Medicare		720	
Total Alternative Instruction Program			\$ 61,063

Special Education Program

Supervisor/Director	\$	56,362	
Career Ladder Program		6,000	
Psychological Personnel		99,979	
Career Ladder Extended Contracts		4,000	
Assessment Personnel		107,644	
Clerical Personnel		22,311	
Other Salaries & Wages		45,098	
Social Security		21,166	
State Retirement		19,900	
Medical Insurance		28,415	
Dental Insurance		1,070	
Unemployment Compensation		560	
Employer Medicare		4,950	
Travel		8,950	
In Service/Staff Development		50	
Total Special Education Program			426,455

Vocational Education Program

Supervisor/Director	\$	59,212	
Career Ladder Program		2,000	
Social Security		3,795	
State Retirement		3,367	
Medical Insurance		4,247	
Dental Insurance		206	
Unemployment Compensation		80	
Employer Medicare		888	
Travel		1,193	
Total Vocational Education Program			74,988

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Other Salaries & Wages	\$	100	
Board and Committee Members Fees		5,400	
Social Security		341	
Medical Insurance		13,926	
Employer Medicare		80	
Audit Services		15,250	
Dues and Memberships		6,065	
Legal Services		1,800	
Travel		6,163	
Other Contracted Services		12,427	
Other Supplies and Materials		1,186	
Liability Insurance		27,854	
Premiums on Corporate Surety Bonds		2,142	
Trustee's Commission		168,716	
Workers' Compensation Insurance		164,646	
Criminal Investigation of Applicants - TBI		4,800	
Other Charges		3,364	
Total Board of Education			\$ 434,260

Director of Schools

County Official/Administrative Officer	\$	109,441	
Career Ladder Program		1,700	
Secretary(s)		54,153	
Social Security		9,742	
State Retirement		10,954	
Medical Insurance		5,185	
Dental Insurance		206	
Unemployment Compensation		320	
Employer Medicare		2,396	
Communication		24,219	
Dues and Memberships		5,547	
Maintenance & Repair Services- Equipment		1,071	
Postal Charges		3,820	
Travel		4,692	
Other Contracted Services		1,401	
Office Supplies		10,746	
Other Supplies and Materials		221	
Other Charges		1,002	
Administration Equipment		403	
Total Director of Schools			247,219

(Continued)

Exhibit E-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	498,809	
Career Ladder Program		18,000	
Career Ladder Extended Contracts		46,275	
Assistant Principals		418,649	
Secretary(s)		281,624	
Social Security		78,328	
State Retirement		83,905	
Medical Insurance		111,981	
Dental Insurance		4,031	
Unemployment Compensation		2,560	
Employer Medicare		18,319	
Dues and Memberships		2,700	
Postal Charges		1,500	
Travel		416	
Data Processing Supplies		616	
Office Supplies		269	
In Service/Staff Development		1,229	
Other Charges		3,050	
Administration Equipment		1,209	
Total Office of the Principal			\$ 1,573,470

Fiscal Services

Accountants/Bookkeepers	\$	38,700	
Clerical Personnel		77,250	
Social Security		7,189	
State Retirement		12,314	
Medical Insurance		600	
Unemployment Compensation		320	
Employer Medicare		1,681	
Travel		2,287	
In Service/Staff Development		746	
Total Fiscal Services			141,087

Operation of Plant

Custodial Personnel	\$	469,251	
Other Salaries & Wages		542	
Social Security		29,127	
State Retirement		41,998	
Unemployment Compensation		2,960	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Employer Medicare	\$	6,812	
Janitorial Services		6,920	
Laundry Service		2,873	
Maintenance & Repair Services- Equipment		6,383	
Rentals		960	
Travel		1,173	
Disposal Fees		12,399	
Other Contracted Services		19,732	
Custodial Supplies		36,247	
Electricity		467,067	
Natural Gas		201,504	
Water and Sewer		64,244	
Other Supplies and Materials		18	
Boiler Insurance		6,856	
Building and Contents Insurance		124,911	
Other Charges		6,419	
Plant Operation Equipment		6,854	
Total Operation of Plant			\$ 1,515,250

Maintenance of Plant

Supervisor/Director	\$	30,500	
Secretary(s)		12,000	
Maintenance Personnel		140,126	
Other Salaries & Wages		3,032	
Social Security		11,592	
State Retirement		17,699	
Medical Insurance		24,157	
Dental Insurance		915	
Unemployment Compensation		480	
Employer Medicare		2,711	
Communication		530	
Laundry Service		7,633	
Maintenance & Repair Services- Equipment		2,457	
Travel		1,063	
Other Contracted Services		6,294	
Other Supplies and Materials		88,874	
Other Charges		3,887	
Maintenance Equipment		25,144	
Total Maintenance of Plant			379,094

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	30,500	
Mechanic(s)		132,931	
Bus Drivers		460,918	
Clerical Personnel		12,000	
Other Salaries & Wages		2,060	
In-Service Training		6,272	
Social Security		40,098	
State Retirement		60,442	
Medical Insurance		23,851	
Dental Insurance		987	
Unemployment Compensation		6,320	
Employer Medicare		9,378	
Communication		819	
Laundry Service		5,042	
Medical and Dental Services		3,930	
Travel		3,203	
Other Contracted Services		496	
Diesel Fuel		177,212	
Gasoline		30,045	
Lubricants		3,837	
Tires and Tubes		30,091	
Vehicle Parts		85,793	
Other Supplies and Materials		2,398	
Vehicle and Equipment Insurance		38,566	
In Service/Staff Development		90	
Other Charges		8,830	
Transportation Equipment		352,834	
Total Transportation			\$ 1,528,943

Central and Other

Supervisor/Director	\$	39,251
Computer Programmer(s)		31,460
Social Security		4,384
State Retirement		7,509
Medical Insurance		4,247
Dental Insurance		206
Unemployment Compensation		240
Employer Medicare		1,025
Consultants		12,674

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Maintenance & Repair Services- Equipment	\$	6,671	
Travel		2,515	
Data Processing Supplies		1,133	
Office Supplies		656	
In Service/Staff Development		827	
Data Processing Equipment		2,309	
Total Central and Other			\$ 115,107

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	49,205	
Career Ladder Extended Contracts		2,000	
Social Security		3,175	
State Retirement		2,816	
Medical Insurance		4,247	
Dental Insurance		206	
Unemployment Compensation		80	
Employer Medicare		742	
Payments to Schools - Breakfast		437,922	
Payments to Schools - Lunch		1,046,994	
Payments to Schools - Other		2,436	
Payments to Schools - Other USDA		6,566	
Travel		1,646	
Office Supplies		630	
Other Supplies and Materials		614	
In Service/Staff Development		773	
Other Charges		270	
Total Food Service			1,560,322

Community Services

Supervisor/Director	\$	31,052	
Social Security		1,925	
State Retirement		3,298	
Medical Insurance		4,277	
Dental Insurance		206	
Unemployment Compensation		80	
Employer Medicare		450	
Travel		1,015	
Food Supplies		571	

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Supplies and Materials	\$ 2,976	
Other Charges	<u>262</u>	
Total Community Services		\$ 46,112

Capital Outlay

Regular Capital Outlay

Architects	\$ 219,000	
Consultants	24,845	
Building Construction	2,678,168	
Building Improvements	315,195	
Site Development	<u>4,279</u>	
Total Regular Capital Outlay		3,241,487

Other Debt Service

Education

Contributions	\$ 781,139	
Total Education		<u>781,139</u>

Total General Purpose School Fund \$ 31,133,639

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 609,730	
Educational Assistants	37,758	
Other Salaries & Wages	121,958	
Certified Substitute Teachers	7,414	
Social Security	48,020	
State Retirement	43,568	
Medical Insurance	101,587	
Dental Insurance	3,955	
Employer Medicare	11,231	
Matching Share	1,265	
Travel	7,360	
Other Contracted Services	35,406	
Instructional Supplies and Materials	490,066	
In Service/Staff Development	19,110	
Other Charges	3,405	
Regular Instruction Equipment	<u>195,562</u>	
Total Regular Instruction Program		\$ 1,737,395

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	7,350	
Educational Assistants		627,789	
Social Security		40,471	
State Retirement		57,693	
Medical Insurance		600	
Employer Medicare		9,217	
Contracts with Private Agencies		22,862	
Instructional Supplies and Materials		60,675	
Other Charges		63	
Special Education Equipment		56,638	
Total Special Education Program			\$ 883,358

Vocational Education Program

Educational Assistants	\$	19,000	
Social Security		1,178	
State Retirement		2,018	
Employer Medicare		276	
Travel		5,898	
Instructional Supplies and Materials		26,000	
Other Charges		2,423	
Vocational Instruction Equipment		42,341	
Total Vocational Education Program			99,134

Support Services

Attendance

In Service/Staff Development	\$	25	
Total Attendance			25

Health Services

Medical Personnel	\$	43,800	
Social Security		2,716	
State Retirement		4,652	
Medical Insurance		6,415	
Dental Insurance		459	
Employer Medicare		635	
Total Health Services			58,677

Other Student Support

Travel	\$	11,416	
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(Continued)

Exhibit E-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Charges	\$ 5,234	
Total Other Student Support		\$ 16,650

Regular Instruction Program

Supervisor/Director	\$ 60,266	
Social Security	3,737	
State Retirement	3,315	
Medical Insurance	5,194	
Dental Insurance	206	
Employer Medicare	874	
Travel	8,150	
Instructional Supplies and Materials	7,443	
Library Books/Media	425	
Other Supplies and Materials	22,310	
In Service/Staff Development	87,720	
Other Charges	6,250	
Regular Instruction Equipment	1,267	
Other Equipment	22,636	
Total Regular Instruction Program		229,793

Special Education Program

Other Salaries & Wages	\$ 104,469	
Social Security	6,510	
State Retirement	11,232	
Employer Medicare	1,462	
Maintenance & Repair Services- Equipment	381	
Travel	5,219	
In Service/Staff Development	13,251	
Total Special Education Program		142,524

Total School Federal Projects Fund \$ 3,167,556

Total Governmental Funds - Hardeman County School Department \$ 34,301,195

SINGLE AUDIT REPORT
HARDEMAN COUNTY, TENNESSEE
AND
HARDEMAN COUTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

NORM R. NORMENT, CGFM
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

MARVIN E. BOND, CGFM
ELISHA CROWELL
State Auditors

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

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

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

October 6, 2005

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hardeman County, Tennessee, and the Hardeman County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Hardeman County's and the Hardeman County School Department's basic financial statements and have issued our reports thereon dated October 6, 2005. Our reports on the financial statements of Hardeman County and the Hardeman County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardeman County's and the Hardeman County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hardeman County's and the Hardeman County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.05, and 05.08.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardeman County's and the Hardeman County School Department's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03, 05.04, 05.06, and 05.07.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd



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

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

October 6, 2005

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

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

Compliance

We have audited the compliance of Hardeman County and the Hardeman County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Hardeman County's and the Hardeman County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardeman County's and the Hardeman County School Department's management. Our responsibility is to express an opinion on Hardeman County's and the Hardeman County School Department's compliance based on our audit.

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

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

In our opinion, Hardeman County and the Hardeman County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Hardeman County, Tennessee, and the Hardeman County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated October 6, 2005. Our reports on the financial statements of Hardeman County and the Hardeman County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our

opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rd

Hardeman County, Tennessee, and the Hardeman County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 148,078
Passed through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	437,922
National School Lunch Program	10.555	N/A	1,054,282
Total U.S. Department of Agriculture			<u>\$ 1,640,282</u>
U.S. Department of Housing and Urban Development:			
Passed through State Housing Development Agency:			
HOME Investment Partnership Program	14.239	HM-03-33	\$ 73,785
Total U.S. Department of Housing and Urban Development			<u>\$ 73,785</u>
U.S. Department of Justice:			
Passed through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 11,500
Total U.S. Department of Justice			<u>\$ 11,500</u>
U.S. Department of Transportation:			
Passed through State Department of Transportation:			
Airport Improvement Program	20.106	(2)	\$ 684,817
Total U.S. Department of Transportation			<u>\$ 684,817</u>
U.S. Department of Education:			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,477,164
Special Education - Grants to States	84.027	N/A	1,157,356
Vocational Education - Basic Grants to States	84.048	N/A	111,781
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	59,512
State Grants for Innovative Programs	84.298	N/A	25,489
Education Technology State Grants	84.318X	(2)	54,693
Rural Education	84.358	(2)	143,205
Improving Teacher Quality State Grants	84.367A	N/A	326,435
Total U.S. Department of Education			<u>\$ 3,355,635</u>
U.S. Department of Health and Human Services:			
Passed through State Department of Health:			
Preventive Health and Health Services Block Grant	93.991	(2)	\$ 103,316
Total U.S. Department of Health and Human Services			<u>\$ 103,316</u>
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(2)	\$ 43,668
Total U.S. Department of Homeland Security			<u>\$ 43,668</u>
Total Expenditures of Federal Awards			<u>\$ 5,913,003</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
State Grants:			
Litter Program - State Department of Transportation	N/A	(2)	\$ 35,871
Fingerprint Systems Grant - State Department of Finance and Administration	N/A	(2)	15,000
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,750
Airport Crack and Seal Coat Grant - State Department of Transportation	N/A	(2)	25,796
Option Waste Tire Program Grant - State Department of Environment and Conservation	N/A	(2)	103,321
Total State Grants			\$ 193,738

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.

Hardeman County, Tennessee, and the Hardeman County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Hardeman County, Tennessee and the Hardeman County School Department for the year ended June 30, 2004, which have not been corrected.

HARDEMAN COUNTY AND HARDEMAN COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
04.02	13	The Solid Waste Disposal Fund had a deficit in net assets
04.04	13	The office did not solicit competitive bids for some applicable purchases
04.08	15	Purchase orders were not issued for purchases under \$5,000

OTHER FINDING AND RECOMMENDATION

Finding Number	Page Number	Subject
04.09	15	A central system of accounting and budgeting had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of Hardeman County and the Hardeman County School Department.
2. The audit of the financial statements of Hardeman County and the Hardeman County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance each of noncompliance that was material to the financial statements of Hardeman County and the Hardeman County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Airport Improvement Program (CFDA No. 20.106), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Improving Teacher Quality State Grants (CFDA No. 84.367A) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Hardeman County and the Hardeman County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

HARDEMAN COUNTY AND HARDEMAN COUNTY SCHOOL DEPARTMENT

FINDING 05.01 GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Material Noncompliance Under Government Auditing Standards)

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

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

RECOMMENDATION

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

OFFICE OF COUNTY MAYOR

FINDING 05.02 **THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$1,398,645 in unrestricted net assets at June 30, 2005. This deficit primarily resulted from the recognition of a liability (\$2,229,293) in the financial statements of the Solid Waste Disposal Fund for costs associated with closing the county’s landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets.

FINDING 05.03 **THE AMBULANCE SERVICE DIRECTOR MISAPPROPRIATED COUNTY FUNDS, RESULTING IN A CASH SHORTAGE OF \$1,241.93**
(Noncompliance Under Government Auditing Standards)

The Ambulance Service had administrative and accounting deficiencies that contributed to the misappropriation of county funds as noted below:

- A. Auditors discovered that the Ambulance Service maintained unauthorized savings and checking accounts. These accounts were used by Joey Crumby, Ambulance Service Director, to deposit monies collected from conducting emergency management service training classes instead of properly depositing the funds with the county trustee. We reviewed the transactions in these accounts and noted several deficiencies and irregularities totaling \$1,241.93 involving deposits and disbursements. On April 29, 2005, the director liquidated the \$1,241.93 cash shortage with personal funds, and Hardeman County terminated employment of the director. At the recommendation of auditors, county officials closed the two bank accounts in May 2005, and remitted the account balances to the county trustee. We have reviewed this finding with the district attorney general.

The cash shortage is summarized as follows:

- 1. On two occasions, the director withdrew funds totaling \$500 from the savings account for personal use.
- 2. On three occasions, the director received cash back totaling \$145 when making deposits into the checking account.

3. The director issued a check totaling \$172.52 to a Chattanooga, Tennessee, hotel for a personal trip.
 4. Additional checks totaling \$424.41 were issued but were not documented and therefore have been included as part of the cash shortage.
- B. Receipts were not issued for collections as required by Section 9-2-103, Tennessee Code Annotated. Because receipts were not issued for all collections, we could not determine if all collections had been accounted for and deposited to the unauthorized bank accounts.
- C. Additional disbursements totaling \$973.18 were made by the director from the two unauthorized bank accounts that were supported by documentation; however, due to a lack of oversight and approval by the County Commission, all disbursements made by the director from these two bank accounts were questioned.

RECOMMENDATION

All financial activity related to the Ambulance Service should be accounted for in the county's General Fund through the budgetary process as required by state statute. Furthermore, any other improper disbursements, as determined by county officials, should be reimbursed to the county.

MANAGEMENT'S RESPONSE – COUNTY MAYOR – PRO TEM

- B. Any department or official collecting funds will issue official prenumbered receipts.
- C. It is the county's practice to budget and approve expenditures for all departments by the County Commission. Starting immediately, the Ambulance Committee will play a more active role in supporting the proper operation of the Ambulance Service.

FINDING 05.04 THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR SOME APPLICABLE PURCHASES
 (Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of a copy machine (\$6,700), a hydroseeder for the landfill (\$51,736), the rental of a track type tractor for the landfill (\$8,662), landscaping for convenience centers (\$84,621), the purchase of gravel for the landfill (\$8,719), and a new diesel engine (\$9,387). Purchasing procedures are governed by Chapter 90, Private Acts of 1989, as amended, which requires the solicitation of bids through newspaper advertisements for all purchases exceeding \$5,000.

RECOMMENDATION

Competitive bids should be solicited through newspaper advertisements for all purchases exceeding \$5,000 as required by state statute.

FINDING 05.05 **PURCHASE ORDERS WERE NOT ISSUED FOR PURCHASES UNDER \$5,000**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders for all applicable purchases under \$5,000. Purchasing procedures for the Office of County Mayor are governed by Chapter 90, Private Acts of 1989, as amended, which requires officials to issue purchase orders for all purchases exceeding \$5,000. Although Chapter 90, Private Acts of 1989 does not address issuing purchase orders for purchases under \$5,000, purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The Office of County Mayor should issue purchase orders for all applicable purchases.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.06 **THE DIRECTOR OF SCHOOLS MISAPPROPRIATED EQUIPMENT AND SUPPLIES, RESULTING IN A CASH SHORTAGE OF \$9,579.23**
(Noncompliance Under Government Auditing Standards)

Auditors determined that Charles Johnson, director of schools, had misappropriated School Department equipment resulting in a cash shortage of \$9,053.81 on June 30, 2005. He also misappropriated supplies resulting in an additional cash shortage of \$525.42 on July 4, 2005. Details of these cash shortages follow:

- A. On August 24, 2005, during our annual audit of the Hardeman County School Department, office personnel advised auditors that a laptop computer was unaccounted. Our investigation revealed that the following equipment totaling \$9,053.81 was missing from the Board of Education offices: three laptop computers (\$5,238.48), two LCD projectors (\$3,382), two printers (\$158), and three computer carrying cases (\$275.33). We were able to determine that Mr. Johnson was the last person to have possession of these items prior to his resignation effective June 30, 2005. When auditors questioned Mr. Johnson about the missing items, he denied having them or

any knowledge of where the equipment could be. Subsequent to our conversation, someone returned two computers, two LCD projectors, one printer, and two computer carrying cases to the Board of Education office building sometime after the building was closed on the evening of September 20, 2005, and the following morning. During another meeting with Mr. Johnson on September 22, 2005, he admitted to burning the unaccounted laptop computer, one printer, and one computer carrying case, but denied knowing anything about the equipment which had been returned to the Board of Education office building. After further questioning, Mr. Johnson admitted that he had taken all of the aforementioned missing equipment and had returned some of the equipment to the Board of Education office building in the early morning hours of September 21st by using a master key he kept after resigning as director of schools. Mr. Johnson maintained that he burned the computer, printer, and computer carrying case out of fear the destroyed laptop computer could be traced to him from its use on the internet, personal files, and other information contained of the computer's hard drive. Demand was made on Mr. Johnson to reimburse the School Department for the burned equipment (\$1,873.53), and he immediately made restitution to the county trustee by cashier's check. A cash shortage of \$9,053.81 will be reflected in the financial statements of the General Purpose School Fund as of June 30, 2005, as a result of the equipment missing from the Board of Education's office.

- B. During our investigation of the above-noted missing equipment, a credit card invoice totaling \$525.42 from Office Max dated July 4, 2005, for the purchase of supplies came to our attention. This invoice contained items that were not related to School Department needs, and the credit card receipt was signed by Charles Johnson. On September 22, 2005, Mr. Johnson admitted to purchasing these supplies with the School Department's credit card for his personal use. Demand was made on Mr. Johnson to reimburse the School Department for these supplies, and he immediately made restitution to the county trustee by cashier's check.

The total cash shortage of \$9,579.23 (\$9,053.81 as of June 30, 2005 and an additional cash shortage of \$525.42 as of July 4, 2005), is considered paid as of September 22, 2005. We have reviewed this finding with the district attorney general.

OFFICE OF COUNTY CLERK

FINDING 05.07 THE OFFICE DID NOT REQUIRE A DEPOSITORY TO COLLATERALIZE FUNDS (Noncompliance Under Government Auditing Standards)

The county clerk did not require a depository to pledge securities to protect county funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage by \$29,822. Section 5-8-201, Tennessee

Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of funds exceeding FDIC coverage. As of the date of this report, the county clerk had required the depository to pledge adequate securities to protect the county's funds.

RECOMMENDATION

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

OTHER FINDING AND RECOMMENDATION

FINDING 05.08 **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

**HARDEMAN COUNTY, TENNESSEE, AND THE
HARDEMAN COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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