

ANNUAL FINANCIAL REPORT
HARDIN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

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

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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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

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Audit Highlights

Annual Financial Report
Hardin County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Hardin County as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The Employee Insurance Fund had a net assets deficit of \$5,536 at June 30, 2005, resulting from the department's incurring medical claims exceeding self-insurance premiums.
- ◆ General Purpose School Fund expenditures exceeded appropriations approved by the County Commission in four major appropriation categories (the legal level of control) by amounts ranging from \$1,154 to \$32,994.

OTHER FINDINGS

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

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

INTRODUCTORY SECTION

Hardin County Officials

June 30, 2005

Officials:

Kevin Davis, County Mayor
Paul Blount, Highway Commissioner
Bobby Cromwell, Director of Schools
Linda Franks, Accounting and Budget Director
Linda McCasland, Trustee
Calvin Hinton, Assessor of Property
Connie Stephens, County Clerk
Diane Polk, Circuit and General Sessions Courts Clerk
Martha Smith, Clerk and Master
Julie Gail Adkisson, Register
Sammy Davidson, Sheriff

Board of County Commissioners:

Kevin Davis, Chairman	Wally Hamilton
Emery White, Chairman Pro Tem	Larry Joe Hinton
Jason Angotti	James Hopper
Ernie Bigbie	Charles Howard
Nickie Cagle	Roger Jenkins
David Childers	Mike Jerrolds
Gary Combs	Fred McFalls, Jr.
Mike Fowler	Kathy Smith
Larry Franks	Stacey Stricklin
Dannie Gean	James Whitehorn, Sr.
Tom Haggard	

Budget Committee:

Jason Angotti	James Hopper
Nickie Cagle	Mike Jerrolds
Mike Fowler	Roger Jenkins
Tom Haggard	Fred McFalls
Larry Hinton	Stacey Stricklin

Highway Commission:

Kevin Davis, Secretary
Hugh Gresham
Carter Horton
Dennis Johnson
Bob Smith

Board of Education:

Luanne Givens, Chairman	Janie Milender
Ron Ashe	Mike Pitts
David Burgess	Olga Turnbow
Jeanelle Dennis	Billy Ray Vinson
David Long	Ramona Wilkerson

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

January 13, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Hardin County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hardin County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Park Rest Hardin County Health Center (the entire business-type activities and a major fund). Nor did we audit the financial statements of the discretely presented Hardin Medical Center (which represent 52.9 percent and 48.4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units) or the discretely presented Hardin County Emergency Communications District (which represent .9 percent and .4 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Park Rest Hardin County Health Center, the Hardin Medical Center, and the Hardin County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin 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 accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2006, on our consideration of Hardin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 73 through 77 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 Hardin 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 and the Rural Debt Service Fund, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), 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 Rural Debt Service Fund, combining and individual fund financial statements of the Hardin County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section 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". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Hardin County, Tennessee
Statement of Net Assets
June 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business- Type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
<u>ASSETS</u>						
Cash	\$ 316	\$ 102,607	\$ 102,923	\$ 0	\$ 0	\$ 143,149
Equity in Pooled Cash and Investments	7,064,037	0	7,064,037	1,362,894	6,203,208	0
Inventories	0	7,202	7,202	0	714,892	0
Accounts Receivable	234,112	275,873	509,985	3,936	5,004,012	17,947
Due from Other Governments	758,998	0	758,998	1,089,999	0	0
Due from Component Unit	97,664	0	97,664	0	0	0
Property Taxes Receivable	3,555,664	0	3,555,664	4,231,710	0	0
Allowance for Uncollectible Property Taxes	(155,137)	0	(155,137)	(184,633)	0	0
Prepaid Items	225,619	20,679	246,298	0	313,894	0
Accrued Interest Receivable	34,877	0	34,877	0	0	0
Other Current Assets	0	0	0	0	323,400	0
Restricted Assets:						
Patient Trust	0	371	371	0	6,112	0
Utility Deposits	0	0	0	0	30	0
Deferred Charges - Debt Issuance Cost	77,270	0	77,270	0	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	1,648,230	26,700	1,674,930	379,172	34,500	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	2,400,221	575,825	2,976,046	15,155,544	13,708,733	0
Infrastructure	923,003	0	923,003	0	0	0
Other Capital Assets	1,185,334	55,124	1,240,458	934,563	0	269,097
Total Assets	\$ 18,050,208	\$ 1,064,381	\$ 19,114,589	\$ 22,973,185	\$ 26,308,781	\$ 430,193

(Continued)

Exhibit A

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

	Primary Government			Component Units		
	Governmental Activities	Business- Type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
<u>LIABILITIES</u>						
Accounts Payable	\$ 152,131	\$ 48,708	\$ 200,839	\$ 208,107	\$ 1,057,729	\$ 0
Accrued Management Fee	0	688,236	688,236	0	0	0
Other Accrued Expenses	0	135,611	135,611	0	248,099	151
Accrued Payroll	47,038	0	47,038	0	311,805	0
Payroll Deductions Payable	3,548	0	3,548	142,249	0	0
Accrued Interest Payable	44,158	0	44,158	2,832	0	0
Due to Primary Government	0	0	0	97,634	0	0
Due to Intermediaries	0	0	0	0	60,404	0
Current Liabilities Payable from Restricted Assets:						
Patient Trust	0	371	371	0	6,112	0
Deferred Revenue - Current Property Taxes	3,226,414	0	3,226,414	3,839,859	0	0
County Drug Court Fees	9,234	0	0	0	0	0
Noncurrent Liabilities:						
Due Within One Year	1,687,688	83,871	1,771,559	65,786	555,674	0
Due in More Than One Year	7,096,147	84,369	7,180,516	475,427	7,464,000	0
Total Liabilities	<u>\$ 12,266,358</u>	<u>\$ 1,041,166</u>	<u>\$ 13,298,290</u>	<u>\$ 4,831,894</u>	<u>\$ 9,703,823</u>	<u>\$ 151</u>
<u>NET ASSETS</u>						
Invested in Capital Assets, Net of Related Debt	\$ 5,052,844	\$ 489,409	\$ 5,542,253	\$ 16,327,702	\$ 6,090,233	\$ 269,097
Restricted for:						
Capital Projects	28,214	0	28,214	0	0	0
Debt Service	4,074,857	0	4,074,857	0	0	0
Other Purposes	1,105,876	0	1,105,876	838,434	0	0
Unrestricted	(4,477,941)	(466,194)	(4,944,135)	975,155	10,514,725	160,945
Total Net Assets	<u>\$ 5,783,850</u>	<u>\$ 23,215</u>	<u>\$ 5,807,065</u>	<u>\$ 18,141,291</u>	<u>\$ 16,604,958</u>	<u>\$ 430,042</u>

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

Exhibit B

Hardin County, Tennessee
Statement of Activities
 For the Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units				
					Total Governmental Activities	Business-type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District		
Primary Government:												
Governmental Activities:												
General Government	\$ 788,313	\$ 264,800	\$ 16,380	\$ 0	\$ (507,133)	\$ 0	\$ (507,133)	\$ 0	\$ 0	\$ 0	\$ 0	
Finance	738,841	567,152	14,232	0	(157,457)	0	(157,457)	0	0	0	0	
Administration of Justice	570,685	487,580	0	0	(83,105)	0	(83,105)	0	0	0	0	
Public Safety	2,746,352	134,189	128,005	50,959	(2,433,199)	0	(2,433,199)	0	0	0	0	
Public Health and Welfare	2,077,356	211,019	570,459	0	(1,295,878)	0	(1,295,878)	0	0	0	0	
Social, Cultural, and Recreational Services	416,177	0	35,567	19,049	(361,561)	0	(361,561)	0	0	0	0	
Agriculture & Natural Resources	105,303	0	0	0	(105,303)	0	(105,303)	0	0	0	0	
Other Operations	719,622	87,544	0	0	(632,078)	0	(632,078)	0	0	0	0	
Highways/Public Works	2,861,797	0	1,987,751	184,812	(689,234)	0	(689,234)	0	0	0	0	
Interest on Long-term Debt	502,361	0	1,598,360	0	1,095,999	0	1,095,999	0	0	0	0	
Other Debt Service	52,067	0	0	0	(52,067)	0	(52,067)	0	0	0	0	
Total Governmental Activities	\$ 11,578,874	\$ 1,752,284	\$ 4,350,754	\$ 254,820	\$ (5,221,016)	\$ 0	\$ (5,221,016)	\$ 0	\$ 0	\$ 0	\$ 0	
Business-type Activities:												
Park Rest Hardin County Health Center	\$ 2,342,051	\$ 2,289,766	\$ 0	\$ 0	\$ 0	\$ (52,285)	\$ (52,285)	\$ 0	\$ 0	\$ 0	\$ 0	
Total Primary Government	\$ 13,920,925	\$ 4,042,050	\$ 4,350,754	\$ 254,820	\$ (5,221,016)	\$ (52,285)	\$ (5,273,301)	\$ 0	\$ 0	\$ 0	\$ 0	
Component Units:												
Hardin County School Department	\$ 27,503,838	\$ 878,187	\$ 2,991,287	\$ 0	\$ 0	\$ 0	\$ 0	\$ (23,634,364)	\$ 0	\$ 0	\$ 0	
Hardin Medical Center	21,542,327	23,498,594	460,373	0	0	0	0	0	2,416,640	0	0	
Emergency Communications District	158,815	156,503	0	0	0	0	0	0	0	0	(2,312)	
Total Component Units	\$ 49,204,980	\$ 24,533,284	\$ 3,451,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ (23,634,364)	\$ 2,416,640	\$ 0	\$ (2,312)	

(Continued)

Exhibit B

Hardin County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Total Governmental Activities	Business- type Activities	Total	Hardin County School Department	Hardin Medical Center	Emergency Communications District
General Revenues:										
Taxes:										
Property taxes levied for general purposes					\$ 3,232,492	\$ 0	\$ 3,232,492	\$ 4,047,261	\$ 0	\$ 0
Property taxes levied for debt service					159,428	0	159,428	0	0	0
Local option sales tax					1,540,058	0	1,540,058	2,816,904	0	0
Other local taxes					1,173,956	0	1,173,956	0	0	0
Grants & Contributions not restricted for specific programs					422,986	0	422,986	14,795,616	100,000	50,000
Unrestricted Investment Earnings					228,488	645	229,133	0	178,822	598
Miscellaneous					79,314	6,652	85,966	54,488	0	0
Total General Revenues					<u>\$ 6,836,722</u>	<u>\$ 7,297</u>	<u>\$ 6,844,019</u>	<u>\$ 21,714,269</u>	<u>\$ 278,822</u>	<u>\$ 50,598</u>
Change in net assets					\$ 1,615,706	\$ (44,988)	\$ 1,570,718	\$ (1,920,095)	\$ 2,695,462	\$ 48,286
Net assets, July 1, 2004					<u>4,168,144</u>	<u>68,203</u>	<u>4,236,347</u>	<u>20,061,386</u>	<u>13,909,496</u>	<u>381,756</u>
Net assets, June 30, 2005					<u>\$ 5,783,850</u>	<u>\$ 23,215</u>	<u>\$ 5,807,065</u>	<u>\$ 18,141,291</u>	<u>\$ 16,604,958</u>	<u>\$ 430,042</u>

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 316	\$ 316
Equity in Pooled Cash and Investments	3,249,786	98,374	2,094,485	1,239,397	381,995	7,064,037
Accounts Receivable	26,423	22,846	95,389	0	89,454	234,112
Due from Other Governments	144,064	320,242	0	196,524	98,168	758,998
Due from Other Funds	316	0	0	0	0	316
Due from Component Units	30	0	0	97,634	0	97,664
Property Taxes Receivable	3,166,295	218,218	171,151	0	0	3,555,664
Allowance for Uncollectible Property Taxes	(138,148)	(9,521)	(7,468)	0	0	(155,137)
Prepaid Items	0	0	225,619	0	0	225,619
Accrued Interest Receivable	34,877	0	0	0	0	34,877
Total Assets	\$ 6,483,643	\$ 650,159	\$ 2,579,176	\$ 1,533,555	\$ 569,933	\$ 11,816,466
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 132,182	\$ 0	\$ 0	\$ 0	\$ 19,949	\$ 152,131
Accrued Payroll	40,739	0	0	0	6,299	47,038
Payroll Deductions Payable	3,079	5	0	0	464	3,548
Due to Other Funds	0	0	0	0	316	316
County Drug Court Fees	9,234	0	0	0	0	9,234
Deferred Revenue - Current Property Taxes	2,873,100	198,011	155,303	0	0	3,226,414
Deferred Revenue - Delinquent Property Taxes	141,588	9,758	7,653	0	0	158,999
Other Deferred Revenues	80,851	158,703	0	98,890	94,091	432,535
Total Liabilities	\$ 3,280,773	\$ 366,477	\$ 162,956	\$ 98,890	\$ 121,119	\$ 4,030,215
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,000	\$ 5,000
Reserved for Alcohol and Drug Treatment	87,761	0	0	0	0	87,761
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	35,529	0	0	0	0	35,529
Reserved for Computer System - Register	1,034	0	0	0	0	1,034

(Continued)

Exhibit C-1

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
Reserved for Automation Purposes - Circuit Court	\$ 749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 749
Reserved for Automation Purposes - General Sessions Court	5,566	0	0	0	0	5,566
Reserved for Automation Purposes - Chancery Court	4,396	0	0	0	0	4,396
Reserved for Automation Purposes - Sheriff	23,662	0	0	0	0	23,662
Unreserved, Reported In:						
General Fund	3,044,173	0	0	0	0	3,044,173
Special Revenue Funds	0	283,682	0	0	415,600	699,282
Debt Service Funds	0	0	2,416,220	1,434,665	0	3,850,885
Capital Projects Funds	0	0	0	0	28,214	28,214
Total Fund Balances	<u>\$ 3,202,870</u>	<u>\$ 283,682</u>	<u>\$ 2,416,220</u>	<u>\$ 1,434,665</u>	<u>\$ 448,814</u>	<u>\$ 7,786,251</u>
Total Liabilities and Fund Balances	<u>\$ 6,483,643</u>	<u>\$ 650,159</u>	<u>\$ 2,579,176</u>	<u>\$ 1,533,555</u>	<u>\$ 569,933</u>	<u>\$ 11,816,466</u>

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

Exhibit C-2

Hardin County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2005

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

Total fund balances - balance sheet - governmental funds	\$ 7,786,251
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,156,788
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(8,750,723)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>591,534</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 5,783,850</u></u>

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

Exhibit D-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,635,627	\$ 441,898	\$ 162,586	\$ 1,069,618	\$ 850,369	\$ 6,160,098
Licenses and Permits	75,907	0	0	0	0	75,907
Fines, Forfeitures, and Penalties	213,271	0	0	0	52,395	265,666
Charges for Current Services	25,409	0	0	0	125,018	150,427
Other Local Revenues	319,662	44,921	105,576	23,648	7,723	501,530
Fees Received from County Officials	1,011,016	0	0	0	0	1,011,016
State of Tennessee	851,884	2,188,417	13,822	0	39,522	3,093,645
Federal Government	314,971	0	0	0	0	314,971
Other Governments and Citizens Groups	41,876	0	683,514	1,069,618	3,797	1,798,805
Total Revenues	\$ 6,489,623	\$ 2,675,236	\$ 965,498	\$ 2,162,884	\$ 1,078,824	\$ 13,372,065
<u>Expenditures</u>						
Current:						
General Government	\$ 997,324	\$ 0	\$ 0	\$ 0	\$ 0	\$ 997,324
Finance	579,657	0	0	0	0	579,657
Administration of Justice	438,894	0	0	0	990	439,884
Public Safety	2,117,809	0	0	0	45,240	2,163,049
Public Health and Welfare	1,034,979	0	0	0	838,619	1,873,598
Social, Cultural, and Recreational Services	247,789	0	0	0	0	247,789
Agricultural and Natural Resources	89,046	0	0	0	0	89,046
Other Operations	1,521,166	0	0	0	134,944	1,656,110
Highways	0	2,709,632	0	0	0	2,709,632
Debt Service:						
Principal	0	0	720,000	1,455,000	0	2,175,000
Interest	0	0	209,487	253,275	0	462,762
Other Debt Service	0	0	28,073	11,116	0	39,189
Capital Projects	0	0	0	0	199,214	199,214
Total Expenditures	\$ 7,026,664	\$ 2,709,632	\$ 957,560	\$ 1,719,391	\$ 1,219,007	\$ 13,632,254
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (537,041)	\$ (34,396)	\$ 7,938	\$ 443,493	\$ (140,183)	\$ (260,189)

(Continued)

Exhibit D-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Rural Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 235,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 235,000
Total Other Financing Sources (Uses)	\$ 235,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 235,000
Net Change in Fund Balances	\$ (302,041)	\$ (34,396)	\$ 7,938	\$ 443,493	\$ (140,183)	\$ (25,189)
Fund Balance, July 1, 2004	3,504,911	318,078	2,408,282	991,172	588,997	7,811,440
Fund Balance, June 30, 2005	\$ 3,202,870	\$ 283,682	\$ 2,416,220	\$ 1,434,665	\$ 448,814	\$ 7,786,251

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

Exhibit D-2

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

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (25,189)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period.	(166,778)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	169
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,779,151
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>28,353</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 1,615,706</u>

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

Exhibit E-1

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

	Business-type Activities
	<u>Major Fund</u>
	Park Rest Hardin County Health Center
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Patient Revenues	\$ 2,289,766
Total Operating Revenues	<u>\$ 2,289,766</u>
<u>Operating Expenses</u>	
Administrative	\$ 831,358
Dietary	214,290
Housekeeping	84,342
Laundry	120,000
Operation and Maintenance	115,918
Nursing	862,295
Social Service	55,043
Depreciation	49,266
Total Operating Expenses	<u>\$ 2,332,512</u>
Operating Income (Loss)	<u>\$ (42,746)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Income	\$ 645
Interest Expense	(9,539)
Other (net)	6,652
Total Nonoperating Revenues (Expenses)	<u>\$ (2,242)</u>
Net Income	<u>\$ (44,988)</u>
Change in Net Assets	\$ (44,988)
Net Assets, July 1, 2004	<u>68,203</u>
Net Assets, June 30, 2005	<u><u>\$ 23,215</u></u>

The accompanying notes are an integral part of this statement.

Exhibit E-2

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

	Business-type Activities
	<u>Major Fund</u>
	Park Rest Hardin County Health Center
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from patient services	\$ 2,286,066
Payments to suppliers	(922,214)
Payments to employees	(1,267,730)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 96,122</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest income	\$ 645
Net Cash Provided By (Used In) Investing Activities	<u>\$ 645</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisitions of equipment	\$ (5,300)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (5,300)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Donations	\$ 6,652
Net Cash Flows Provided By (Used In) Noncapital Financing Activities	<u>\$ 6,652</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 98,119
Cash and Cash Equivalents, July 1, 2004	<u>4,488</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 102,607</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income	\$ (42,746)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	49,266
Accounts Receivable	2,424
Due from Hardin Home	(27,941)
Prepaid Insurance	(12,946)
Inventory	(2,417)
Accounts Payable	(4,864)
Accrued Management Fee	136,314
Accrued Expenses	(968)
Net Cash Provided By Operating Activities	<u><u>\$ 96,122</u></u>

The accompanying notes are an integral part of this statement.

Exhibit F

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 562,132
Due from Other Governments	<u>228,605</u>
Total Assets	<u><u>\$ 790,737</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 228,605
Due to Litigants, Heirs, and Others	<u>562,132</u>
Total Liabilities	<u><u>\$ 790,737</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Hardin County is a public municipal corporation governed by an elected 20-member board. As required by GAAP, these financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Hardin County School Department operates the public school system in the county, and the voters of Hardin 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 Hardin County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Hardin County, and the Hardin 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.

Hardin Medical Center is a community medical center providing general and specialized medical services to patients. Included as part of the Hardin Medical Center is the Hardin County Nursing Home, a 73-bed intermediate

care facility, 25 beds of which are also certified for skilled care. The Hardin County Commission appoints the Hardin Medical Center's governing body which also oversees the Hardin County Nursing Home. Hardin County is financially obligated to retire general obligation bonds of the Hardin Medical Center in the event of default by the hospital.

The Hardin County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Hardin County School Department are included in this report as listed in the table of contents. Complete financial statements of the Hardin County Emergency Communications District and the Hardin Medical Center can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Hardin County Emergency Communications District
601 Main Street
Savannah, TN 38372

Hardin Medical Center
2006 Wayne Road
Savannah, TN 38372

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and inter-governmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Hardin County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Hardin County issues all debt for the discretely presented Hardin County School Department.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise and internal service), and fiduciary funds. The internal service is reported with the governmental activities in the government-wide financial statements of the discretely presented Hardin County School Department, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Fund financial statements of Hardin 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 and proprietary categories. Hardin County only reports one proprietary fund, a major enterprise fund, and the discretely presented School Department reports one proprietary fund, an internal service fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major individual 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 internal service fund and the fiduciary funds in total are reported in single columns 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. Hardin 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 debt service funds for payments to be made early in the following year.

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

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.

Hardin 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.

Rural Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on school improvement projects for which the City of Savannah contributes a portion of its sales tax.

Hardin County reports the following major enterprise fund:

Park Rest Hardin County Health Center – This fund accounts for the transactions of the county-owned health center.

Additionally, Hardin County reports the following fund types:

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

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

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

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

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

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

Internal Service Fund – The Employee Insurance Fund accounts for transactions pertaining to the Hardin County School Department's dental insurance plan.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund (enterprise fund), used to account for a health care center. The discretely presented School Department has one proprietary fund (internal service fund) used to account for a self-insurance dental program. Operating revenues and expenses generally result from providing services in connection with the funds'

principal ongoing operations. The principal operating revenue of the county's proprietary fund is charges for services. The principal operating revenue for the discretely presented school department's internal service fund is self-insurance premiums. Operating expenses for the proprietary funds include administrative expenses and dental claims.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash in the internal service fund of the discretely presented Hardin County School Department consists entirely of equity in pooled cash and investments with the county trustee. Cash in the Park Rest Hardin County Health Center (enterprise fund) includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased.

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

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Park Rest Hardin County Health Center) and the discretely presented Hardin County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Hardin County and the Hardin 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

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.3 percent of total taxes levied.

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

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

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

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

3. Inventories and Prepaid Items

Inventory of the Park Rest Hardin County Health Center is valued at the lower of cost or market and consists entirely of supplies.

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

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (infrastructure \$50,000) or more and an estimated useful life of more than of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government (excluding the Park Rest Hardin County Health Center) and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-25
Other Capital Assets	5-15
Infrastructure:	
Roads	16
Bridges	30

All capital assets of the Park Rest Hardin County Health Center are stated at historical cost. Depreciation expense is calculated principally by the straight-line method to allocate the costs of

depreciable assets over their estimated useful lives. Maintenance and repairs that do not materially extend their useful lives are charged to expense as incurred.

5. Compensated Absences

It is the county's policy (with the exception of the Park Rest Hardin County Health Center) to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service.

The discretely presented Hardin County School Department does not allow most classes of employees to accumulate vacation days beyond their anniversary date, and therefore, any balances at year-end would be immaterial. The Hardin County Highway Department allows its employees to accrue no more than five vacation days at year-end, except with special permission from the Highway Commissioner. All vacation leave for the Highway Department is accrued when incurred in the government-wide statements for the county. A liability for vacation leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The Park Rest Hardin County Health Center does not grant sick days as such. If an employee is off sick, he will not be paid for that time. However, for any month an employee does not miss a day for being off sick, he will accumulate four hours' pay. After the employee has completed one year's service, the facility will pay for all accumulated sick pay hours. Each employee is entitled to one week of vacation after one year of employment. If an employee is laid off, he will receive accumulated vacation pay, but if he is terminated, he will not. Accrued vacation and sick pay were not considered material, and accordingly, no liability is included in the financial statements for them.

The general policy of the discretely presented Hardin County School Department permits the unlimited accumulation of unused sick leave days. Upon retirement, professional employees receive \$10 per day for unused sick days. All nonprofessional employees receive pay for unused sick days up to 45 days when leaving the employment of the Hardin County Board of Education. All sick leave benefits for the School Department are accrued when incurred in the government-wide statements. A liability for sick leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The granting of sick leave for other employees of Hardin County has no guaranteed payment attached and therefore is not required to be accrued or recorded.

6. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities (or proprietary fund type) statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

7. Net Assets and Fund Equity

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

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

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

As of June 30, 2005, Hardin County had \$7,371,800 in outstanding debt for capital purposes for the discretely presented Hardin County School Department. The debt is a liability of Hardin County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Hardin County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county’s capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005:

Fund/Purpose	Amount
General:	
Walking Trail	\$ 3,118
Circuit Court Computers	41,085
GREAT Program	9,708
Fire Department	174,646

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$8,750,723 difference are as follows:

Bonds payable	\$ (6,840,000)
Deferred charges - issuance costs (to be amortized over life of debt)	77,270
Deferred amount on refunding	155,121
Deferred revenue - premium on debt (to be amortized over life of debt)	(44,078)
Accrued interest payable	(44,158)
Landfill closure/postclosure care costs	(329,078)
Notes payable	(1,145,000)
Capital leases payable	(490,744)
Compensated absences payable	<u>(90,056)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (8,750,723)</u></u>

Discretely Presented Hardin County School Department

The discretely presented Hardin County School Department's Exhibit K-3 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$544,045 difference are as follows:

Notes payable	\$ (141,577)
Accrued interest payable	(2,832)
Compensated absences payable	<u>(399,636)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>\$ (544,045)</u></u>

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

Primary Government

Exhibit D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported

as depreciation expense. The details of this \$166,778 difference are as follows:

Capital outlay	\$ 484,730
Depreciation expense	<u>(651,508)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (166,778)</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,779,151 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay notes	\$ (235,000)
Related Items:	
Amortization of premium	7,346
Amortization of issuance costs	(12,878)
Amortization of deferred amount on refunding	(50,613)
Principal repayments:	
Capital leases	80,296
Bonds	1,455,000
Notes	<u>535,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,779,151</u>

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$28,353 difference are as follows:

Net change in compensated absences	\$ 11,043
Net change in landfill closure/postclosure care costs	6,297
Net change in accrued interest on bonds	2,637
Net change in accrued interest on notes	7,144
Net change in accrued interest on capital leases	<u>1,232</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 28,353</u>

Discretely Presented Hardin County School Department

The discretely presented Hardin County School Department's Exhibit K-5 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$1,050,852 difference are as follows:

Capital outlay	\$ 78,618
Depreciation expense	<u>(1,129,470)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,050,852)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Unrestricted Net Assets Deficit

The Employee Insurance Fund (internal service fund) of the discretely presented Hardin County School Department had an unrestricted net assets deficit of \$5,536 at June 30, 2005. This deficit resulted from the School Department incurring medical claim expenditures exceeding self-insurance premiums.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major categories (the legal level of control) of the General Purpose School Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Instruction - Special Education	\$ 3,946
Support Services - Board of Education	3,892
Operation of Plant	32,994
Operation of Non-Instructional Services - Food Service	1,154

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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. Hardin County had no pooled and nonpooled investments as of June 30, 2005.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 1,508,230	\$ 140,000	\$ 0	\$ 1,648,230
Total Capital Assets Not Depreciated	<u>\$ 1,508,230</u>	<u>\$ 140,000</u>	<u>\$ 0</u>	<u>\$ 1,648,230</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,479,980	\$ 200,000	\$ 0	\$ 4,679,980
Infrastructure	1,043,357	0	0	1,043,357
Other Capital Assets	3,981,655	144,730	(22,895)	4,103,490
Total Capital Assets Depreciated	<u>\$ 9,504,992</u>	<u>\$ 344,730</u>	<u>\$ (22,895)</u>	<u>\$ 9,826,827</u>

Governmental Activities (Cont.):

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,142,840	\$ 136,919	\$ 0	\$ 2,279,759
Infrastructure	62,941	57,413	0	120,354
Other Capital Assets	2,483,875	457,176	(22,895)	2,918,156
Total Accumulated Depreciation	<u>\$ 4,689,656</u>	<u>\$ 651,508</u>	<u>\$ (22,895)</u>	<u>\$ 5,318,269</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,815,336</u>	<u>\$ (306,778)</u>	<u>\$ 0</u>	<u>\$ 4,508,558</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,323,566</u>	<u>\$ (166,778)</u>	<u>\$ 0</u>	<u>\$ 6,156,788</u>

Depreciation expense was charged to functions of the primary government (excluding Park Rest Hardin County Health Center) as follows:

Governmental Activities:

General Government	\$ 2,000
Administration of Justice	209
Public Safety	240,587
Public Health and Welfare	40,933
Social, Cultural, and Recreational Services	101,223
Agriculture and Natural Resources	12,662
Other Operations	10,289
Highways/Public Works	<u>243,605</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 651,508</u>

Business-type Activities:
(Park Rest Hardin County Health Center)

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 26,700	\$ 0	\$ 26,700
Total Capital Assets Not Depreciated	<u>\$ 26,700</u>	<u>\$ 0</u>	<u>\$ 26,700</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,127,838	\$ 0	\$ 1,127,838
Other Capital Assets	268,954	5,300	274,254
Total Capital Assets Depreciated	<u>\$ 1,396,792</u>	<u>\$ 5,300</u>	<u>\$ 1,402,092</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 518,647	\$ 33,366	\$ 552,013
Other Capital Assets	203,230	15,900	219,130
Total Accumulated Depreciation	<u>\$ 721,877</u>	<u>\$ 49,266</u>	<u>\$ 771,143</u>
Total Capital Assets Depreciated, Net	<u>\$ 674,915</u>	<u>\$ (43,966)</u>	<u>\$ 630,949</u>
Business-type Activities Capital Assets, Net	<u>\$ 701,615</u>	<u>\$ (43,966)</u>	<u>\$ 657,649</u>

Discretely Presented Hardin County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 379,172	\$ 0	\$ 379,172
Total Capital Assets Not Depreciated	<u>\$ 379,172</u>	<u>\$ 0</u>	<u>\$ 379,172</u>

Governmental Activities (Cont.):

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets			
Depreciated:			
Buildings and Improvements	\$ 30,143,757	\$ 72,076	\$ 30,215,833
Other Capital Assets	3,216,470	6,542	3,223,012
Total Capital Assets Depreciated	\$ 33,360,227	\$ 78,618	\$ 33,438,845
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 14,170,279	\$ 890,010	\$ 15,060,289
Other Capital Assets	2,048,989	239,460	2,288,449
Total Accumulated Depreciation	\$ 16,219,268	\$ 1,129,470	\$ 17,348,738
Total Capital Assets Depreciated, Net	\$ 17,140,959	\$ (1,050,852)	\$ 16,090,107
Governmental Activities Capital Assets, Net	\$ 17,520,131	\$ (1,050,852)	\$ 16,469,279

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

Governmental Activities:

Instruction	\$ 522,640
Support Services	548,031
Operation of Non-Instructional Services	<u>58,799</u>
Total Depreciation Expense - Governmental Activities	\$ <u>1,129,470</u>

C. Interfund Receivables and Payables

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 316
Discretely Presented School Department:		
General Purpose School	School Federal Projects	228,706

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government:		Component unit:
Rural Debt Service	Hardin County School Department	\$ 97,634
General	Hardin Medical Center	30

The receivable in the General Fund (\$30) was in transit from the Hardin Medical Center.

D. Contributions to Primary Government's Debt Service Funds

During the year, the discretely presented Hardin County School Department contributed \$1,307,677 from the General Purpose School Fund to the primary government's General Debt Service Fund (\$238,059) and Rural Debt Service Fund (\$1,069,618) to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

E. Capital Leases

Terms of capital lease obligations outstanding at June 30, 2005, are as follows:

Description	Date of Lease	Length of Lease	Gross Amount of Assets	Interest Rate
Rescue Squad Truck	7-16-02	10 Years	\$ 116,588	4.95 %
Fire Trucks	6-6-03	10 Years	427,788	4.75
Sheriff's Vehicles	1-15-04	2 Years	107,645	3.95

Titles to the above-noted equipment transfer to Hardin County at the end of lease periods.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 107,072
2007	69,792
2008	69,792
2009	69,792
2010	69,792
2011-13	<u>209,376</u>
Total Minimum Lease Payments	\$ 595,616
Amounts Representing Interest	<u>(104,872)</u>
Present Value of Minimum Lease Payments	<u>\$ 490,744</u>

F. Long-term Debt

Primary Government

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 nine 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 and Rural Debt Service Funds.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds - Refunding	2 to 3.75 %	\$ 9,865,000	\$ 6,840,000
Capital Outlay Notes	3.89 to 5.3	2,885,000	1,145,000
Capital Leases	3.95 to 4.95	652,021	490,744

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	\$ 1,120,000	\$ 220,538	\$ 473,332	\$ 45,359
2007	1,180,000	186,937	411,668	25,673
2008	1,220,000	151,538	180,000	10,767
2009	1,260,000	114,937	80,000	4,160
2010	1,305,000	73,987	0	0
2011	755,000	28,313	0	0
Total	<u>\$ 6,840,000</u>	<u>\$ 776,250</u>	<u>\$ 1,145,000</u>	<u>\$ 85,959</u>

There is \$3,850,885 available in the debt service funds to service long-term debt. Bonded debt per capita amounted to \$267, based on the 2000 federal census. Total debt per capita, including bonds, notes, and capital leases amounted to \$331, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity (excluding Park Rest Hardin County Health Center) for the year ended June 30, 2005, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 8,295,000	\$ 1,445,000	\$ 571,040
Additions	0	235,000	0
Deductions	(1,455,000)	(535,000)	(80,296)
Balance, June 30, 2005	<u>\$ 6,840,000</u>	<u>\$ 1,145,000</u>	<u>\$ 490,744</u>
Balance Due Within One Year	<u>\$ 1,120,000</u>	<u>\$ 473,332</u>	<u>\$ 83,854</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 101,098	\$ 335,375
Additions	113,067	0
Deductions	<u>(124,109)</u>	<u>(6,297)</u>
Balance, June 30, 2005	<u>\$ 90,056</u>	<u>\$ 329,078</u>
Balance Due Within One Year	<u>\$ 4,502</u>	<u>\$ 6,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 8,894,878
Less: Balance Due Within One Year	(1,687,688)
Less: Deferred Amount on Refunding	(155,121)
Less: Deferred debt premium	<u>44,078</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 7,096,147</u>

Park Rest Hardin County Health Center (enterprise fund)

In 1985, the county issued \$1,070,000 of General Obligation Nursing Home Bonds, Series 1985 which bear interest ranging from 6.5 percent to 8.7 percent. These bonds were originally issued for a 20-year term and are direct obligations and pledge the full faith and credit of the government. These bonds outstanding as of June 30, 2005, will be retired by the Park Rest Hardin County Health Center.

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

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 83,871	\$ 9,539
2007	<u>84,369</u>	<u>9,041</u>
Total	<u>\$ 168,240</u>	<u>\$ 18,580</u>

Changes in Long-term Liabilities

Long-term liability activity for the Park Rest Hardin County Health Center (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	<u>Bonds</u>
Balance, July 1, 2004	\$ 168,240
Additions	0
Deductions (none required for 2005)	<u>0</u>
Balance, June 30, 2005	<u>\$ 168,240</u>
Balance Due Within One Year	<u>\$ 83,871</u>

Discretely Presented Hardin County School Department

Hardin County issues capital outlay notes to fund capital facilities and other capital purchases such as renovations.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes outstanding as of June 30, 2005, will be retired from the General Purpose School Fund.

Capital outlay notes outstanding as of June 30, 2005, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-05</u>
Capital Outlay Note	3%	\$ 311,836	\$ 141,577

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

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 45,804	\$ 4,247
2007	47,179	2,873
2008	48,594	1,458
Total	<u>\$ 141,577</u>	<u>\$ 8,578</u>

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Hardin County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Notes	Compensated Absences
Balance, July 1, 2004	\$ 186,047	\$ 383,672
Additions	0	112,939
Deductions	<u>(44,470)</u>	<u>(96,975)</u>
Balance, June 30, 2005	<u>\$ 141,577</u>	<u>\$ 399,636</u>
Balance Due Within One Year	<u>\$ 45,804</u>	<u>\$ 19,982</u>

G. Short-term Debt

Hardin County issued revenue anticipation notes from the General Debt Service Fund in advance of revenue collections and deposited the proceeds in the Highway/Public Works Fund. These notes were necessary because funds were not available to meet operating expenses due before current revenue collections. These notes were repaid in full as of June 30, 2005. 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	\$ 250,000	\$ (250,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Liability, Property, and Casualty

Hardin County (excluding Park Rest Hardin County Health Center) 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. Hardin 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.

Park Rest Hardin County Health Center purchases commercial insurance for the risks of general liability, property, and casualty losses to which it is exposed. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Workers' Compensation Insurance

Hardin County (excluding Park Rest Hardin County Health Center) participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, Tennessee Code Annotated, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Park Rest Hardin County Health Center purchases commercial insurance for the risks of workers' compensation losses to which it is exposed. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

Employee Health Insurance

Hardin County (excluding the Park Rest Hardin County Health Center) participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207,

Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Hardin County School Department

Liability, Property, Casualty, and Workers' Compensation Insurance

The discretely presented Hardin County 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.

Employee Health Insurance

The discretely presented Hardin County 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.

Employee Dental Insurance

The Hardin County School Department has chosen to establish the Employee Insurance Fund for risks associated with the Hardin County School Department employees' dental insurance plan. The Employee Insurance Fund is accounted for as an internal service fund in which assets are set aside for claim settlements. The School Department is responsible for maximum benefits equal to \$1,000 per employee per year. Employees are responsible for any amount beyond the maximum benefit.

All full-time employees of the Hardin County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance Fund establishes claims liabilities based on estimates of the ultimate costs of claims that have been incurred but not settled, and of claims that have been incurred but not reported. Claims

liabilities include specific, incremental claim adjustment expenditures/ expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two years are as follows:

Employee Insurance Fund

	Beginning of Fiscal- Year Liability	Current- Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2003-04	\$ 18,304	\$ 195,870	\$ 202,681	\$ 11,493
2004-05	11,493	219,847	221,818	9,522

B. Management Agreement

The county has contracted with an outside firm to manage the Park Rest Hardin County Health Center. The management fee is seven percent of the gross revenues received by the facility from all sources.

C. Accounting Change

During the year, Hardin County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment 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.

D. Related Party Transaction

During the year, Hardin Home (a nursing home facility owned by the manager of the Park Rest Hardin County Health Center) provided the center with laundry services. Hardin Home based the laundry charges on the actual cost of providing the services. The total laundry charges for the year were \$120,000. The center provided meals to Hardin Home. The charges for the meals were based on the center's actual costs of providing the meals. The dietary charges for the year totaled \$153,707. Accounts receivable of the health center include the amount of \$118,049, which represents the difference between the amount charged and the amount paid by the two facilities. Repayment is expected within the next year.

E. Subsequent Events

On November 1, 2005, Hardin County issued \$87,500 in capital outlay notes for parking at the county stockyard.

On November 22, 2005, the county's General Debt Service Fund issued a \$250,000 revenue anticipation note to the Highway/Public Works Fund for temporary operating funds.

F. Contingent Liabilities

Hardin County is contingently liable for an \$8,000,000 loan agreement dated July 29, 2003, for improvements to the Hardin Medical Center. Hardin County would become liable for this loan and the interest thereon in the event of default by the hospital. The principal of this loan agreement is reflected on the financial statements of the Hardin Medical Center. As of June 30, 2005, \$347,000 has been repaid leaving a balance of \$7,653,000. Future principal and interest requirements for the entire \$8,000,000 loan at June 30, 2005, were \$7,653,000 and \$2,556,726, respectively.

The county attorney stated that there were no other potential claims against the county that would materially affect the county's financial statements.

G. Landfill Closure/Postclosure Care Costs

The Savannah-Hardin County Landfill is jointly owned by the City of Savannah and Hardin County. Hardin County is responsible for the closure and postclosure care of the landfill with the City of Savannah contractually agreeing to pay 50 percent of the costs. 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. The landfill was closed on July 1, 1998. Remaining postclosure care costs are estimated to be \$658,156. The \$329,078 reported as landfill postclosure care liability at June 30, 2005, represents 50 percent of the estimated costs for future postclosure care functions. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

H. Joint Ventures

The Twenty-Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-Fourth Judicial District, Henry, Benton, Carroll, Hardin, and Decatur Counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by

the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district.

Hardin County does not have an equity interest in the above-noted joint venture. Complete financial statements for the Twenty-Fourth Judicial District Drug Task Force can be obtained from its administrative office at the following address:

Twenty-Fourth Judicial District Drug Task Force
P.O. Box 301
McKenzie, Tennessee 38201

I. Retirement Commitments

Plan Description

Employees of Hardin 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 Hardin 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

Hardin County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 9.04 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hardin County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Hardin County's annual pension cost of \$500,960 to TCRS was equal to Hardin 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. Hardin 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 19 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$500,960	100%	\$0
6-30-04	523,918	100	0
6-30-03	497,293	100	0

Required Supplementary Information
Schedule of Funding Progress for Hardin County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$8,714	\$10,288	\$1,574	84.70%	\$5,162	30.49%
6-30-01	6,874	8,662	1,788	79.36	4,751	37.63
6-30-99	5,033	6,526	1,493	77.12	4,421	33.77

SCHOOL TEACHERS

Plan Description

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

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

www.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 Hardin 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 Hardin 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 \$698,914, \$404,901, and \$392,235, respectively, equal to the required contributions for each year.

J. Purchasing Laws

Office of County Mayor

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, govern purchasing procedures for the County Mayor's Office. This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Commissioner

Chapter 62, Private Acts of 1997, as amended, and Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Hardin County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

VI. OTHER NOTES – DISCRETELY PRESENTED HARDIN MEDICAL CENTER

A. General Information

1. General

Hardin Medical Center is a community medical center located in Savannah, Tennessee, providing general as well as various specialized medical services to patients.

2. Reporting Entity

Hardin Medical Center is a component unit of Hardin County, Tennessee. The Hardin County Commission is responsible for appointing each member of the medical center's board of directors. Included as part of the Hardin Medical Center is the Hardin County Nursing Home which is an intermediate and skilled care facility.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The medical center applies Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting and Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

2. Measurement Focus and Basis of Accounting

Hardin Medical Center uses the economic resources measurement focus. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Hardin Medical Center uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when incurred.

3. Cash Equivalents

The Hardin Medical Center considers all highly liquid investments that are demand in nature or with a maturity of three months or less when purchased to be cash equivalents.

4. **Accounts Receivable**

Accounts receivable consist entirely of amounts due for patient services that were billed but not received by the end of the year. The allowance for uncollectible accounts is based on historical trends.

5. **Inventories**

Inventories of operational supplies are carried at cost (first-in, first-out method).

6. **Compensated Absences**

The Hardin Medical Center employees earn vacation and sick leave on a ratable basis determined by months employed. The amounts earned on both types of leave can be carried forward from one year to the next subject to stated maximums in both areas. Payment is allowed for accumulated vacation days upon termination of employment but is not allowed for accumulated sick leave. Accordingly, accrued vacation pay is included in the financial statements but since accrued sick pay cannot be reasonably estimated no accrual is recorded for it.

7. **Fund Accounting**

The accounts of the Hardin Medical Center are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

8. **Capital Assets**

All Hardin Medical Center plant in service acquisitions subsequent to 1967 have been recorded at cost. Assets acquired prior to that date and still on hand and in use at that date were inventoried and appraised by a firm of independent appraisers in order to be eligible for participation in the Medicare program. Expenditures which materially increase the values or capacities or extend useful lives of these assets are capitalized while expenditures for maintenance and repairs are charged to operations as incurred. Applicable interest cost is capitalized as part of the cost of the asset. Gains or losses from the sales of property, plant, and equipment are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense is systematically charged against operations. Depreciable fixed assets are being depreciated over various estimated useful lives on the straight-line basis. Depreciation expense also includes the amortization of equipment acquired by entering into capital lease obligations.

9. Operating and Nonoperating Income

Operating income includes net patient service revenue and other miscellaneous receipts that support operations.

C. Pension Plan

Plan Description

Employees of the Hardin Medical Center 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 on or after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Hardin Medical Center 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/tcrs/PS/.

Funding Policy

For employees hired before July 1, 1986, the Hardin Medical Center has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Employees hired on July 1, 1986, and after are required to contribute five percent of earnable compensation.

The Hardin Medical Center is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 8.43 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. Contribution requirements for the Hardin Medical Center are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, the Hardin Medical Center's annual pension cost of \$660,346 to TCRS was equal to their required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Hardin Medical Center's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 14 years.

Trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$ 660,346	100	% \$ 0
6-30-04	498,698	100	0
6-30-03	473,124	100	0

Schedule of Funding Progress

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$ 16,631	\$ 18,049	\$ 1,418	92.14	% \$ 6,795	20.87 %
6-30-01	14,793	16,316	1,523	90.67	\$6,229	24.45
6-30-1999	12,793	13,837	1,044	92.46	\$5,595	18.66

D. Due from/to Intermediaries

The Hardin Medical Center participates in the Medicare and TennCare programs as well as providing health-care services to patients whose coverage is paid for by other commercial insurance carriers. Historically, reimbursements for certain services under the Medicare program was made on the basis of audited cost reports filed on a fiscal year basis. Periodically, the commercial insurance carriers may conduct their own audit of the center's records. The amounts presented below are subject to final audit by the intermediaries. The amounts due to intermediaries represent amounts determined to be payable as a result of reviews of the center's records. The center's Medicare cost reports have been audited through June 30, 2004.

E. Economic Dependency

Approximately 50 percent of all charges for the year were made to the Medicare program, and 40 percent of the accounts receivable balance as of June 30 was due from the Medicare program.

The Hardin Medical Center is subject to the general economic conditions of the region in which they are located as well as the economic stability of the third party providers of patient insurance.

F. Physician Guarantees

The Hardin Medical Center has entered into agreements with local physicians whereby it will extend lines of credit, subject to stated maximums. The loans are to be forgiven if the physicians maintain a practice in the area for specified terms. The amounts in other assets represent the balance of these loans.

G. Charity Care

The Hardin Medical Center maintains records to identify and monitor the level of charity care it provides for patients. The records include the amount of charges foregone for services and supplies furnished under its charity care policy. The Hardin Medical Center provided charity care services, measured in terms of established patient billing rates, of approximately \$84,746.

H. Long-term Debt

Hardin County has entered into a loan agreement dated July 29, 2003, whereby it agreed to borrow up to \$8,000,000 in bonds for improvements to the Hardin Medical Center. A total of \$8,000,000 was received and the hospital is repaying the bonds which are to be repaid in annual principal and monthly interest payments. The interest rate to be paid is variable but at June 30 was 2.18 percent. Maturities are as follows:

Year Ending June 30	Principal	Interest
2006	\$ 189,000	\$ 166,835
2007	196,000	162,715
2008	202,000	158,442
2009	209,000	154,039
2010	216,000	149,483
2011-2015	1,193,000	673,576
2016-2020	1,407,000	534,514
2021-2025	1,658,000	370,557
2026-2030	1,956,000	177,255
2031	427,000	9,309

Following is a summary of changes in long-term debt for the year.

	Balance at beginning of year	Increases	Decreases	Balance at end of year	Due within one year
Note Payable	\$ 4,838,000	\$ 3,000,000	\$ 185,000	\$ 7,653,000	\$ 189,000

I. Net Patient Service Revenue

The Hardin Medical Center has agreements with third-party payers that provide for payments at amounts different from their established rates. Net operating revenues are net of contractual adjustments and policy discounts of \$21,024,277. A summary of the payment arrangements with major third-party payers follows:

Medicare

Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

TennCare – Blue Cross

Inpatient (IP) services rendered to TennCare beneficiaries paid for by Blue Cross are paid at prospective determined rates per discharge. Outpatient (OP) services are paid based on a preapproved fee schedule.

TennCare – Omni Care, Better Health and TLC

IP charges are paid on a per diem basis and OP charges are paid based on a fee schedule and/or percent of charges.

Blue Cross

IP services rendered to Blue Cross subscribers are reimbursed at the Hardin Medical Center’s normal charges reduced by certain contractual adjustments. The normal charges do not exceed the approved amounts established by Blue Cross.

Other

The Hardin Medical Center has also entered into payment agreements with other commercial insurance carriers. The basis for payment to the center under these agreements is essentially the same as the methodology for Blue Cross subscribers.

J. Deposits and Investments

The Hardin Medical Center maintains checking accounts and certificates of deposit with local banks. Their investment policies are governed by state statute. Included in permissible investments are direct obligations of the U. S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of Tennessee and its subdivisions.

At year-end, the carrying amount of deposits was \$6,203,208, and the bank balances were \$6,829,224. At June 30, 2005, investments consisted entirely of certificates of deposit issued by SunTrust Bank, each of which earned interest at 4.16 percent. Cash balances maintained at banks at June 30, 2005, and throughout the year were fully insured by FDIC insurance and additional collateral pledged on behalf of the hospital.

The market values of cash and certificates of deposit approximate the carrying amount as of June 30, 2005.

K. Ambulance Service

Hardin County paid for the construction of a building to house ambulance facilities and has also purchased ambulances and related equipment, but the Hardin Medical Center is responsible for operating the ambulance service. Expenditures by Hardin County since the Hardin Medical Center began operating the ambulance service amounts to \$689,403. This amount is not reflected in property and equipment in the accompanying financial statements. In addition, Hardin County provides an annual subsidy (\$100,000 in 2005) to defray costs incurred in operating the ambulance service. This annual allocation is in addition to the cumulative expenditures mentioned above.

L. Risk Management

The Hardin Medical Center is subject to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees' bonds, personal and professional liability, and property destruction. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years.

Beginning April 2002, medical and dental insurance for employees is provided by self-funding claims as they arise. Under this arrangement, the Hardin Medical Center provides coverage for up to a maximum of \$35,000 per year for each employee's medical claims. The Hardin Medical Center has purchased commercial insurance for claims in excess of coverage provided through the self-insurance plan. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for all employees are as follows:

Balance at beginning of year	Incurred Claims	Claims Payments	Employee Deductions	Balance at end of year
\$ 118,222	\$ 903,110	\$ (494,980)	\$ (353,088)	\$ 173,264

M. Net Assets

Net assets invested in capital assets, net of related debt, is calculated by taking the net plant in service of \$13,273,585 less the note payable of \$7,653,000.

\$1,000,000 of the Hardin Medical Center's cash reserves has been designated by the board for the exclusive use of debt service.

N. Capital Assets

Capital asset activity for the year follows:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 34,500	\$ 0	\$ 0	\$ 34,500
Capital Assets Depreciated:				
Land improvements	\$ 263,740	\$ 53,350	\$ 0	\$ 317,090
Buildings	5,079,404	7,962,811	0	13,042,215
Equipment	7,221,723	2,413,006	0	9,634,729

	Balance			Balance
	7-1-04	Increases	Decreases	6-30-05
Furniture and fixtures	\$ 172,448	\$ 0	\$ 0	\$ 172,448
Assets under capital lease	1,728,847	0	0	1,728,847
Intangible costs	86,989	0	0	86,989
Construction in progress	4,998,880	2,865,778	7,864,658	0
Total Capital Assets				
Depreciated	<u>\$ 19,552,031</u>	<u>\$ 13,294,945</u>	<u>\$ 7,864,658</u>	<u>\$ 24,982,318</u>
Less Accumulated				
Depreciation For:				
Land improvements	\$ 147,577	\$ 23,021	\$ 0	\$ 170,598
Buildings	3,089,809	221,847	0	3,311,656
Equipment	5,270,663	680,478	0	5,951,141
Furniture and fixtures	73,537	13,678	0	87,215
Assets under capital lease	1,628,621	37,365	0	1,665,986
Intangible costs	84,451	2,538	0	86,989
Total Accumulated				
Depreciation	<u>\$ 10,294,658</u>	<u>\$ 978,927</u>	<u>\$ 0</u>	<u>\$ 11,273,585</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 9,257,373</u>	<u>\$ 12,316,018</u>	<u>\$ 7,864,658</u>	<u>\$ 13,708,733</u>
Total Capital Assets, Net	<u>\$ 9,291,873</u>	<u>\$ 12,316,018</u>	<u>\$ 7,864,658</u>	<u>\$ 13,743,233</u>

Depreciation expense of \$978,927 was recorded by the Hardin Medical Center. Fully depreciated assets at June 30, 2005, amounted to \$5,954,421.

During the year, interest expense of \$126,175 was capitalized as part of the cost of construction.

O. Operating Leases

The Hardin Medical Center leased various computer equipment under operating leases during the year for a total expense of \$213,333.

P. Accounts Payable

Details of accounts payable follows:

Vendors	\$ 535,882
Construction retainage	521,847
	<u>\$ 1,057,729</u>

VII. OTHER NOTES – DISCRETELY PRESENTED HARDIN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. General Information

Hardin County Emergency Communication District provides 911 emergency assistance to persons living in Hardin County. The district is a component unit of Hardin County. Accordingly, this financial data is incorporated into the county's financial statements. Board members are appointed by the county mayor. Additionally, any bonded indebtedness by the district is subject to the approval of the Hardin County Commission. Revenues received in excess of the district's operating requirements are paid to the City of Savannah which pays the salaries of the dispatchers. Any unreimbursed dispatcher salaries are evenly shared by the city and the county.

B. Summary of Significant Accounting Policies

1. GASB Conformity

The financial statements included herein are prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement 20 – "Election of a Reporting Method" – required the district to elect either (1) all provisions of the Financial Accounting Standards Board (FASB) issued prior to 1989 for proprietary type funds, or (2) all of the provisions of the FASB regardless of the issue date for proprietary type funds. The district elected to adopt only the provisions of the FASB prior to 1989.

2. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Revenues and expenses are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

3. Capital Assets

All capital assets of the district are recorded at original cost, except for donated equipment which is recorded at fair market value. Expenses which materially increase values or capacities, or extend useful lives of these assets are capitalized while expenses for maintenance and

repair are charged to operations as incurred. Any related interest cost is also added to the cost of the asset as appropriate.

Gains and losses from the sale of fixed assets are reflected in operations and the asset accounts and related allowances for depreciation are reduced. Also, depreciation expense on all depreciable items is systematically charged against operations using the straight-line method over their estimated useful lives.

4. **Cash and Cash Equivalents**

Cash and cash equivalents, as used in the Statements of Cash Flows, includes demand deposit accounts and certificates of deposit with maturities of three months or less when purchased.

5. **Fund Accounting**

The accounts of the district are organized on the basis of funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses, as appropriate. The accounts in the financial statements in this report fall under one broad fund category as follows:

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. **Revenues**

Revenues are derived from telephone customers in the area served by the district. Telephone companies collect the fees on the monthly telephone bills and remit them to the district.

D. Risk Management

It is the policy of the district to purchase commercial insurance for the risk of losses to which it is exposed. These risks include general liability, property damage, and theft. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

E. Contract Agreement

In 1992, the district entered into an agreement with Hardin County, Tennessee, and the City of Savannah, Tennessee, whereby the board of the district is charged with the responsibilities of establishing and collecting service fees; seeking additional funding and issuing bonds, if necessary, and creating a dispatch service and determining the mode. Further, the parties agreed that the City of Savannah would serve as the administrative unit with the responsibility to operate the dispatch facility in a manner consistent with statutory requirements. The district has traditionally remitted excess funds to the city to cover various operating expenses. This year the district remitted \$35,071 to the city.

F. Deposits and Investments

The district's investment policies are governed by state statute. Included in permissible investments are direct obligations of the U. S. government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits and certificates of deposit at 105 percent of all amounts not covered by federal deposit insurance. There were no instances noted of violation of legal or contractual provisions for deposits. The district's deposits and investments at year-end were fully insured. Investments consist of a certificate of deposit at a local bank with an original maturity exceeding three months. The market value of the certificate of deposit was comparable to the carrying value at year-end.

G. Compensated Absences

The district provides no benefits such as vacation and sick leave to its employees.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit G-1

Hardin 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	\$ 3,635,627	\$ 3,661,735	\$ 3,661,735	\$ (26,108)
Licenses and Permits	75,907	73,700	73,700	2,207
Fines, Forfeitures, and Penalties	213,271	191,152	191,152	22,119
Charges for Current Services	25,409	25,325	25,325	84
Other Local Revenues	319,662	286,500	312,250	7,412
Fees Received from County Officials	1,011,016	1,025,200	1,025,200	(14,184)
State of Tennessee	851,884	699,828	902,270	(50,386)
Federal Government	314,971	281,250	597,275	(282,304)
Other Governments and Citizens Groups	41,876	50,700	54,586	(12,710)
Total Revenues	\$ 6,489,623	\$ 6,295,390	\$ 6,843,493	\$ (353,870)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 60,295	\$ 63,890	\$ 63,890	\$ 3,595
Board of Equalization	490	1,000	1,000	510
Beer Board	3,690	4,000	4,000	310
Other Boards and Committees	612	2,200	2,200	1,588
County Mayor	108,200	108,791	108,791	591
County Attorney	4,775	8,700	5,700	925
Election Commission	110,139	113,075	113,075	2,936
Register of Deeds	127,278	129,341	129,341	2,063
County Buildings	581,845	402,491	624,739	42,894
<u>Finance</u>				
Accounting and Budgeting	75,680	76,073	76,073	393
Property Assessor's Office	165,946	191,145	191,145	25,199
Reappraisal Program	25,308	28,267	28,267	2,959
County Trustee's Office	122,391	124,044	124,044	1,653
County Clerk's Office	190,332	193,442	197,870	7,538
<u>Administration of Justice</u>				
Circuit Court	233,175	229,623	239,191	6,016
General Sessions Court	104,418	104,645	104,645	227
Drug Court	9,233	0	9,233	0
Chancery Court	92,068	98,453	98,453	6,385
<u>Public Safety</u>				
Sheriff's Department	814,052	836,809	886,848	72,796
Traffic Control	82,286	27,959	112,848	30,562
Jail	516,101	470,949	565,010	48,909
Juvenile Services	66,150	69,501	69,501	3,351
Fire Prevention and Control	317,855	322,552	331,182	13,327
Civil Defense	111,026	50,552	326,136	215,110
Public Safety Grant Programs	19,917	21,250	21,250	1,333
Other Public Safety	190,422	193,735	193,735	3,313

(Continued)

Exhibit G-1

Hardin 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 Health and Welfare</u>				
Local Health Center	\$ 744,112	\$ 349,700	\$ 853,174	\$ 109,062
Rabies and Animal Control	61,556	68,000	68,000	6,444
Ambulance/Emergency Medical Services	150,536	150,900	150,900	364
Alcohol and Drug Programs	1,000	1,000	1,000	0
Crippled Children Services	2,005	2,005	2,005	0
Other Local Health Services	3,205	3,286	3,286	81
General Welfare Assistance	1,000	1,000	1,000	0
Other Local Welfare Services	5,946	6,500	7,500	1,554
Sanitation Education/Information	65,619	73,396	73,396	7,777
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	38,179	39,994	39,994	1,815
Libraries	190,110	174,784	190,111	1
Other Social, Cultural, and Recreational	19,500	20,000	20,000	500
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	60,694	61,770	62,951	2,257
Forest Service	1,000	1,000	1,000	0
Soil Conservation	20,084	20,084	20,084	0
Flood Control	4,355	5,000	5,000	645
Other Agriculture & Natural Resources	2,913	4,745	4,745	1,832
<u>Other Operations</u>				
Tourism	175,833	141,500	177,500	1,667
Industrial Development	76,656	56,700	78,700	2,044
Housing and Urban Development	188,886	110,800	190,260	1,374
Other Economic and Community Development	11,512	11,500	11,500	(12)
Airport	12,820	12,919	12,919	99
Veterans' Services	34,903	35,598	35,598	695
Other Charges	217,372	156,385	221,966	4,594
Contributions to Other Agencies	20,500	20,500	20,500	0
Employee Benefits	762,456	879,794	881,294	118,838
Miscellaneous	20,228	11,300	20,875	647
Total Expenditures	\$ 7,026,664	\$ 6,292,647	\$ 7,783,425	\$ 756,761
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (537,041)	\$ 2,743	\$ (939,932)	\$ 402,891
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 235,000	\$ 0	\$ 235,000	\$ 0
Total Other Financing Sources (Uses)	\$ 235,000	\$ 0	\$ 235,000	\$ 0

(Continued)

Exhibit G-1

Hardin 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	\$ (302,041)	\$ 2,743	\$ (704,932)	\$ 402,891
Fund Balance, July 1, 2004	3,504,911	3,226,980	3,226,980	277,931
Fund Balance, June 30, 2005	\$ 3,202,870	\$ 3,229,723	\$ 2,522,048	\$ 680,822

Exhibit G-2

Hardin 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	\$ 441,898	\$ 518,493	\$ 518,493	\$ (76,595)
Other Local Revenues	44,921	50,000	50,000	(5,079)
State of Tennessee	2,188,417	4,126,851	4,126,851	(1,938,434)
Total Revenues	<u>\$ 2,675,236</u>	<u>\$ 4,695,344</u>	<u>\$ 4,695,344</u>	<u>\$ (2,020,108)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 220,953	\$ 229,365	\$ 229,366	\$ 8,413
Highway and Bridge Maintenance	1,350,378	1,888,000	1,888,000	537,622
Operation and Maintenance of Equipment	291,899	302,500	302,501	10,602
Other Charges	189,582	207,000	207,000	17,418
Employee Benefits	315,025	345,500	345,500	30,475
Capital Outlay	341,795	870,000	870,000	528,205
Total Expenditures	<u>\$ 2,709,632</u>	<u>\$ 3,842,365</u>	<u>\$ 3,842,367</u>	<u>\$ 1,132,735</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (34,396)</u>	<u>\$ 852,979</u>	<u>\$ 852,977</u>	<u>\$ (887,373)</u>
Net Change in Fund Balance	\$ (34,396)	\$ 852,979	\$ 852,977	\$ (887,373)
Fund Balance, July 1, 2004	<u>318,078</u>	<u>1,427,555</u>	<u>1,427,555</u>	<u>(1,109,477)</u>
Fund Balance, June 30, 2005	<u>\$ 283,682</u>	<u>\$ 2,280,534</u>	<u>\$ 2,280,532</u>	<u>\$ (1,996,850)</u>

HARDIN 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, County Mayor, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the county’s garbage collection and convenience center 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 Fund

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for jail construction.

Exhibit H-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional - Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 316	\$ 316	\$ 0	\$ 316
Equity in Pooled Cash and Investments	231,637	112,144	0	343,781	38,214	381,995
Accounts Receivable	89,454	0	0	89,454	0	89,454
Due from Other Governments	97,649	519	0	98,168	0	98,168
Total Assets	\$ 418,740	\$ 112,663	\$ 316	\$ 531,719	\$ 38,214	\$ 569,933
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 9,949	\$ 0	\$ 0	\$ 9,949	\$ 10,000	\$ 19,949
Accrued Payroll	5,098	1,201	0	6,299	0	6,299
Payroll Deductions Payable	390	74	0	464	0	464
Due to Other Funds	0	0	316	316	0	316
Other Deferred Revenues	94,091	0	0	94,091	0	94,091
Total Liabilities	\$ 109,528	\$ 1,275	\$ 316	\$ 111,119	\$ 10,000	\$ 121,119
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 5,000	\$ 0	\$ 5,000	\$ 0	\$ 5,000
Unreserved	309,212	106,388	0	415,600	28,214	443,814
Total Fund Balances	\$ 309,212	\$ 111,388	\$ 0	\$ 420,600	\$ 28,214	\$ 448,814
Total Liabilities and Fund Balances	\$ 418,740	\$ 112,663	\$ 316	\$ 531,719	\$ 38,214	\$ 569,933

Exhibit H-2

Hardin 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 Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 850,369	\$ 0	\$ 0	\$ 850,369	\$ 0	\$ 850,369
Fines, Forfeitures, and Penalties	0	52,395	0	52,395	0	52,395
Charges for Current Services	124,028	0	990	125,018	0	125,018
Other Local Revenues	7,723	0	0	7,723	0	7,723
State of Tennessee	22,666	16,856	0	39,522	0	39,522
Other Governments and Citizens Groups	3,797	0	0	3,797	0	3,797
Total Revenues	<u>\$ 1,008,583</u>	<u>\$ 69,251</u>	<u>\$ 990</u>	<u>\$ 1,078,824</u>	<u>\$ 0</u>	<u>\$ 1,078,824</u>
<u>Expenditures</u>						
Current:						
Administration of Justice	\$ 0	\$ 0	\$ 990	\$ 990	\$ 0	\$ 990
Public Safety	0	45,240	0	45,240	0	45,240
Public Health and Welfare	838,619	0	0	838,619	0	838,619
Other Operations	127,496	7,448	0	134,944	0	134,944
Capital Projects	0	0	0	0	199,214	199,214
Total Expenditures	<u>\$ 966,115</u>	<u>\$ 52,688</u>	<u>\$ 990</u>	<u>\$ 1,019,793</u>	<u>\$ 199,214</u>	<u>\$ 1,219,007</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 42,468</u>	<u>\$ 16,563</u>	<u>\$ 0</u>	<u>\$ 59,031</u>	<u>\$ (199,214)</u>	<u>\$ (140,183)</u>
Net Change in Fund Balances	\$ 42,468	\$ 16,563	\$ 0	\$ 59,031	\$ (199,214)	\$ (140,183)
Fund Balance, July 1, 2004	266,744	94,825	0	361,569	227,428	588,997
Fund Balance, June 30, 2005	<u>\$ 309,212</u>	<u>\$ 111,388</u>	<u>\$ 0</u>	<u>\$ 420,600</u>	<u>\$ 28,214</u>	<u>\$ 448,814</u>

Exhibit H-3

Hardin 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>				
Local Taxes	\$ 850,369	\$ 832,000	\$ 832,000	\$ 18,369
Charges for Current Services	124,028	118,500	118,500	5,528
Other Local Revenues	7,723	0	3,223	4,500
State of Tennessee	22,666	32,052	32,052	(9,386)
Other Governments and Citizens Groups	3,797	5,000	5,000	(1,203)
Total Revenues	<u>\$ 1,008,583</u>	<u>\$ 987,552</u>	<u>\$ 990,775</u>	<u>\$ 17,808</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 57,059	\$ 57,490	\$ 57,490	\$ 431
Waste Pickup	246,207	236,294	251,517	5,310
Convenience Centers	210,159	212,914	214,161	4,002
Landfill Operation and Maintenance	325,194	315,000	327,000	1,806
<u>Other Operations</u>				
Other Charges	40,997	42,000	42,000	1,003
Employee Benefits	86,499	91,466	91,466	4,967
Total Expenditures	<u>\$ 966,115</u>	<u>\$ 955,164</u>	<u>\$ 983,634</u>	<u>\$ 17,519</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 42,468</u>	<u>\$ 32,388</u>	<u>\$ 7,141</u>	<u>\$ 35,327</u>
Net Change in Fund Balance	\$ 42,468	\$ 32,388	\$ 7,141	\$ 35,327
Fund Balance, July 1, 2004	<u>266,744</u>	<u>228,327</u>	<u>228,327</u>	<u>38,417</u>
Fund Balance, June 30, 2005	<u>\$ 309,212</u>	<u>\$ 260,715</u>	<u>\$ 235,468</u>	<u>\$ 73,744</u>

Exhibit H-4

Hardin 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	\$ 52,395	\$ 33,000	\$ 33,000	\$ 19,395
State of Tennessee	16,856	546	17,796	(940)
Total Revenues	<u>\$ 69,251</u>	<u>\$ 33,546</u>	<u>\$ 50,796</u>	<u>\$ 18,455</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 45,240	\$ 36,946	\$ 59,196	\$ 13,956
<u>Other Operations</u>				
Employee Benefits	7,448	10,253	10,253	2,805
Total Expenditures	<u>\$ 52,688</u>	<u>\$ 47,199</u>	<u>\$ 69,449</u>	<u>\$ 16,761</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 16,563</u>	<u>\$ (13,653)</u>	<u>\$ (18,653)</u>	<u>\$ 35,216</u>
Net Change in Fund Balance	\$ 16,563	\$ (13,653)	\$ (18,653)	\$ 35,216
Fund Balance, July 1, 2004	<u>94,825</u>	<u>84,609</u>	<u>84,609</u>	<u>10,216</u>
Fund Balance, June 30, 2005	<u><u>\$ 111,388</u></u>	<u><u>\$ 70,956</u></u>	<u><u>\$ 65,956</u></u>	<u><u>\$ 45,432</u></u>

Major Governmental Funds

Debt Service Funds

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

General Debt Service Fund – The General Debt Service Fund is used to account for general long-term debt relating to the county.

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for bonded debt related to the county schools.

Exhibit I-1

Hardin 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	\$ 162,586	\$ 152,128	\$ 152,128	\$ 10,458
Other Local Revenues	105,576	114,120	114,120	(8,544)
State of Tennessee	13,822	12,891	12,891	931
Other Governments and Citizens Groups	683,514	787,488	797,488	(113,974)
Total Revenues	<u>\$ 965,498</u>	<u>\$ 1,066,627</u>	<u>\$ 1,076,627</u>	<u>\$ (111,129)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 513,650	\$ 358,650	\$ 513,650	\$ 0
Education	206,350	206,350	206,350	0
<u>Interest</u>				
General Government	177,778	287,532	289,462	111,684
Education	31,709	31,709	31,709	0
<u>Other Debt Service</u>				
General Government	28,073	24,000	34,000	5,927
Total Expenditures	<u>\$ 957,560</u>	<u>\$ 908,241</u>	<u>\$ 1,075,171</u>	<u>\$ 117,611</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,938</u>	<u>\$ 158,386</u>	<u>\$ 1,456</u>	<u>\$ 6,482</u>
Net Change in Fund Balance	\$ 7,938	\$ 158,386	\$ 1,456	\$ 6,482
Fund Balance, July 1, 2004	<u>2,408,282</u>	<u>2,504,271</u>	<u>2,504,271</u>	<u>(95,989)</u>
Fund Balance, June 30, 2005	<u>\$ 2,416,220</u>	<u>\$ 2,662,657</u>	<u>\$ 2,505,727</u>	<u>\$ (89,507)</u>

Exhibit I-2

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural 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	\$ 1,069,618	\$ 1,050,000	\$ 1,050,000	\$ 19,618
Other Local Revenues	23,648	25,000	25,000	(1,352)
Other Governments and Citizens Groups	1,069,618	1,050,000	1,050,000	19,618
Total Revenues	<u>\$ 2,162,884</u>	<u>\$ 2,125,000</u>	<u>\$ 2,125,000</u>	<u>\$ 37,884</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 1,455,000	\$ 1,455,000	\$ 1,455,000	\$ 0
<u>Interest</u>				
Education	253,275	253,275	253,275	0
<u>Other Debt Service</u>				
Education	11,116	13,000	13,000	1,884
Total Expenditures	<u>\$ 1,719,391</u>	<u>\$ 1,721,275</u>	<u>\$ 1,721,275</u>	<u>\$ 1,884</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 443,493</u>	<u>\$ 403,725</u>	<u>\$ 403,725</u>	<u>\$ 39,768</u>
Net Change in Fund Balance	\$ 443,493	\$ 403,725	\$ 403,725	\$ 39,768
Fund Balance, July 1, 2004	<u>991,172</u>	<u>964,116</u>	<u>964,116</u>	<u>27,056</u>
Fund Balance, June 30, 2005	<u>\$ 1,434,665</u>	<u>\$ 1,367,841</u>	<u>\$ 1,367,841</u>	<u>\$ 66,824</u>

Fiduciary Funds

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

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

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 J-1

Hardin 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	\$ 562,132	\$ 562,132
Due from Other Governments	228,605	0	228,605
Total Assets	<u>\$ 228,605</u>	<u>\$ 562,132</u>	<u>\$ 790,737</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 228,605	\$ 0	\$ 228,605
Due to Litigants, Heirs, and Others	0	562,132	562,132
Total Liabilities	<u>\$ 228,605</u>	<u>\$ 562,132</u>	<u>\$ 790,737</u>

Exhibit J-2

Hardin County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All 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	\$ 1,254,775	\$ 1,254,775	\$ 0
Due from Other Governments	209,192	228,605	209,192	228,605
Total Assets	\$ 209,192	\$ 1,483,380	\$ 1,463,967	\$ 228,605
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 209,192	\$ 1,483,380	\$ 1,463,967	\$ 228,605
Total Liabilities	\$ 209,192	\$ 1,483,380	\$ 1,463,967	\$ 228,605
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 482,041	\$ 5,160,458	\$ 5,080,367	\$ 562,132
Total Assets	\$ 482,041	\$ 5,160,458	\$ 5,080,367	\$ 562,132
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 482,041	\$ 5,160,458	\$ 5,080,367	\$ 562,132
Total Liabilities	\$ 482,041	\$ 5,160,458	\$ 5,080,367	\$ 562,132
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,254,775	\$ 1,254,775	\$ 0
Cash	482,041	5,160,458	5,080,367	562,132
Due from Other Governments	209,192	228,605	209,192	228,605
Total Assets	\$ 691,233	\$ 6,643,838	\$ 6,544,334	\$ 790,737
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 209,192	\$ 1,483,380	\$ 1,463,967	\$ 228,605
Due to Litigants, Heirs, and Others	482,041	5,160,458	5,080,367	562,132
Total Liabilities	\$ 691,233	\$ 6,643,838	\$ 6,544,334	\$ 790,737

Hardin County School Department

This section presents fund financial statements for the Hardin County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, and an Internal Service Fund.

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

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

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

Internal Service Fund – The Employee Insurance Fund is used to account for transactions pertaining to the Hardin County School Department's dental insurance plan.

Exhibit K-1

Hardin County, Tennessee
Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 16,496,060	\$ 48,191	\$ 1,630,428	\$ (14,817,441)
Support Services	7,516,773	50,587	219,018	(7,247,168)
Operation of Noninstructional Services	2,178,636	779,409	1,141,841	(257,386)
Interest on Long-term Debt	4,692	0	0	(4,692)
Other Debt Service	1,307,677	0	0	(1,307,677)
Total Governmental Activities	<u>\$ 27,503,838</u>	<u>\$ 878,187</u>	<u>\$ 2,991,287</u>	<u>\$ (23,634,364)</u>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 4,047,261
Local option sales tax				2,816,904
Grants & Contributions not restricted for specific programs				14,795,616
Miscellaneous				54,488
Total General Revenues				<u>\$ 21,714,269</u>
Change in net assets				\$ (1,920,095)
Net assets, July 1, 2004				<u>20,061,386</u>
Net assets, June 30, 2005				<u>\$ 18,141,291</u>

Exhibit K-2

Hardin County, Tennessee
Balance Sheet - Governmental Funds
 Discretely Presented Hardin County School Department
 June 30, 2005

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 779,613	\$ 13	\$ 579,282	\$ 1,358,908
Accounts Receivable	3,936	0	0	3,936
Due from Other Governments	541,098	548,901	0	1,089,999
Due from Other Funds	228,706	0	0	228,706
Property Taxes Receivable	4,231,710	0	0	4,231,710
Allowance for Uncollectible Property Taxes	(184,633)	0	0	(184,633)
Total Assets	<u>\$ 5,600,430</u>	<u>\$ 548,914</u>	<u>\$ 579,282</u>	<u>\$ 6,728,626</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 44,749	\$ 153,836	\$ 0	\$ 198,585
Payroll Deductions Payable	142,249	0	0	142,249
Due to Other Funds	0	228,706	0	228,706
Due to Primary Government	97,634	0	0	97,634
Deferred Revenue - Current Property Taxes	3,839,859	0	0	3,839,859
Deferred Revenue - Delinquent Property Taxes	189,230	0	0	189,230
Other Deferred Revenues	259,569	0	0	259,569
Total Liabilities	<u>\$ 4,573,290</u>	<u>\$ 382,542</u>	<u>\$ 0</u>	<u>\$ 4,955,832</u>
<u>Fund Balances</u>				
Other Local Education Reserves	\$ 42,990	\$ 0	\$ 0	\$ 42,990
Reserved for Career Ladder - Extended Contract	49,294	0	0	49,294
Reserved for Career Ladder Program	6,032	0	0	6,032
Reserved for Title I Grants to Local Education Agencies	0	7,500	0	7,500
Reserved for Special Education - Grants to States	0	113,710	0	113,710
Other Federal Reserves	0	45,162	0	45,162
Unreserved, Reported In:				
General Fund	928,824	0	0	928,824
Special Revenue Funds	0	0	579,282	579,282
Total Fund Balances	<u>\$ 1,027,140</u>	<u>\$ 166,372</u>	<u>\$ 579,282</u>	<u>\$ 1,772,794</u>
Total Liabilities and Fund Balances	<u>\$ 5,600,430</u>	<u>\$ 548,914</u>	<u>\$ 579,282</u>	<u>\$ 6,728,626</u>

Exhibit K-3

Hardin County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Hardin County School Department
June 30, 2005

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

Total fund balances - balance sheet - governmental funds	\$ 1,772,794
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,469,279
(2) Internal service funds are used by management to charge the costs of the employee insurance benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(5,536)
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(544,045)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>448,799</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 18,141,291</u></u>

Exhibit K-4

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

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 6,917,891	\$ 0	\$ 0	\$ 6,917,891
Licenses and Permits	1,763	0	0	1,763
Charges for Current Services	31,537	0	771,057	802,594
Other Local Revenues	61,362	0	10,032	71,394
State of Tennessee	13,488,096	0	0	13,488,096
Federal Government	68,666	3,104,891	988,535	4,162,092
Total Revenues	<u>\$ 20,569,315</u>	<u>\$ 3,104,891</u>	<u>\$ 1,769,624</u>	<u>\$ 25,443,830</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,447,826	\$ 2,403,972	\$ 0	\$ 15,851,798
Support Services	6,253,361	802,703	0	7,056,064
Operation of Non-Instructional Services	361,837	0	1,628,107	1,989,944
Capital Outlay	12,868	0	0	12,868
Debt Service:				
Principal	44,470	0	0	44,470
Interest	5,581	0	0	5,581
Other Debt Service	1,307,677	0	0	1,307,677
Total Expenditures	<u>\$ 21,433,620</u>	<u>\$ 3,206,675</u>	<u>\$ 1,628,107</u>	<u>\$ 26,268,402</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (864,305)</u>	<u>\$ (101,784)</u>	<u>\$ 141,517</u>	<u>\$ (824,572)</u>
Net Change in Fund Balances	\$ (864,305)	\$ (101,784)	\$ 141,517	\$ (824,572)
Fund Balance, July 1, 2004	1,891,445	268,156	437,765	2,597,366
Fund Balance, June 30, 2005	<u>\$ 1,027,140</u>	<u>\$ 166,372</u>	<u>\$ 579,282</u>	<u>\$ 1,772,794</u>

Exhibit K-5

Hardin County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Hardin County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit K-4)	\$ (824,572)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period.	(1,050,852)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(52,946)
(3) The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, this does not have any effect on net assets.	44,470
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(15,075)
(5) Internal service funds are used by management to charge the costs of employee insurance benefits to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(21,120)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ (1,920,095)</u>

Exhibit K-6

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin 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	\$ 6,917,891	\$ 6,998,970	\$ 7,001,076	\$ (83,185)
Licenses and Permits	1,763	2,000	2,000	(237)
Charges for Current Services	31,537	14,000	14,000	17,537
Other Local Revenues	61,362	33,150	87,646	(26,284)
State of Tennessee	13,488,096	13,577,661	13,674,076	(185,980)
Federal Government	68,666	315,000	198,054	(129,388)
Total Revenues	<u>\$ 20,569,315</u>	<u>\$ 20,940,781</u>	<u>\$ 20,976,852</u>	<u>\$ (407,537)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 11,184,346	\$ 10,889,213	\$ 11,236,322	\$ 51,976
Special Education Program	1,414,177	1,332,161	1,410,231	(3,946)
Vocational Education Program	756,265	758,158	781,093	24,828
Adult Education Program	93,038	103,479	97,391	4,353
<u>Support Services</u>				
Attendance	52,628	52,683	55,935	3,307
Health Services	77,943	92,249	82,627	4,684
Other Student Support	800,259	799,692	812,347	12,088
Regular Instruction Program	750,280	771,005	765,592	15,312
Special Education Program	150,667	182,048	169,244	18,577
Vocational Education Program	89,203	100,515	100,191	10,988
Adult Programs	75,843	79,554	79,554	3,711
Board of Education	459,921	395,400	456,029	(3,892)
Director of Schools	178,679	182,605	180,646	1,967
Office of the Principal	807,513	838,233	840,469	32,956
Fiscal Services	116,011	122,582	121,785	5,774
Operation of Plant	1,550,595	1,438,844	1,517,601	(32,994)
Maintenance of Plant	368,024	329,928	411,951	43,927
Transportation	775,795	740,746	793,017	17,222
<u>Operation of Non-Instructional Services</u>				
Food Service	361,837	342,232	360,783	(1,054)
<u>Capital Outlay</u>				
Regular Capital Outlay	12,868	0	12,868	0
<u>Principal</u>				
Education	44,470	0	44,470	0
<u>Interest</u>				
Education	5,581	50,051	5,581	0
<u>Other Debt Service</u>				
Education	1,307,677	1,339,403	1,339,403	31,726
Total Expenditures	<u>\$ 21,433,620</u>	<u>\$ 19,601,378</u>	<u>\$ 21,675,130</u>	<u>\$ 241,510</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (864,305)	\$ 0	\$ (698,278)	\$ (166,027)

(Continued)

Exhibit K-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (864,305)	\$ 0	\$ (698,278)	\$ (166,027)
Fund Balance, July 1, 2004	1,891,445	2,069,201	2,069,201	(177,756)
Fund Balance, June 30, 2005	\$ 1,027,140	\$ 2,069,201	\$ 1,370,923	\$ (343,783)

Exhibit K-7

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin 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	\$ 3,104,891	\$ 3,611,310	\$ 3,620,043	\$ (515,152)
Total Revenues	\$ 3,104,891	\$ 3,611,310	\$ 3,620,043	\$ (515,152)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,716,767	\$ 1,818,394	\$ 1,818,394	\$ 101,627
Special Education Program	590,643	822,523	831,256	240,613
Vocational Education Program	96,562	100,328	100,328	3,766
<u>Support Services</u>				
Other Student Support	55,057	65,208	65,208	10,151
Regular Instruction Program	508,788	737,400	737,400	228,612
Special Education Program	238,858	334,583	334,583	95,725
Total Expenditures	\$ 3,206,675	\$ 3,878,436	\$ 3,887,169	\$ 680,494
Excess (Deficiency) of Revenues Over Expenditures	\$ (101,784)	\$ (267,126)	\$ (267,126)	\$ 165,342
Net Change in Fund Balance	\$ (101,784)	\$ (267,126)	\$ (267,126)	\$ 165,342
Fund Balance, July 1, 2004	268,156	267,126	267,126	1,030
Fund Balance, June 30, 2005	\$ 166,372	\$ 0	\$ 0	\$ 166,372

Exhibit K-8

Hardin County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Hardin County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 771,057	\$ 708,000	\$ 708,000	\$ 63,057
Other Local Revenues	10,032	6,000	6,000	4,032
Federal Government	988,535	860,000	860,000	128,535
Total Revenues	<u>\$ 1,769,624</u>	<u>\$ 1,574,000</u>	<u>\$ 1,574,000</u>	<u>\$ 195,624</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,628,107	\$ 1,710,150	\$ 1,710,150	\$ 82,043
Total Expenditures	<u>\$ 1,628,107</u>	<u>\$ 1,710,150</u>	<u>\$ 1,710,150</u>	<u>\$ 82,043</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 141,517	\$ (136,150)	\$ (136,150)	\$ 277,667
Net Change in Fund Balance	\$ 141,517	\$ (136,150)	\$ (136,150)	\$ 277,667
Fund Balance, July 1, 2004	<u>437,765</u>	<u>215,451</u>	<u>215,451</u>	<u>222,314</u>
Fund Balance, June 30, 2005	<u>\$ 579,282</u>	<u>\$ 79,301</u>	<u>\$ 79,301</u>	<u>\$ 499,981</u>

Exhibit K-9

Hardin County, Tennessee
Statement of Net Assets
Discretely Presented Hardin County School Department
Proprietary Fund
June 30, 2005

	<u>Internal Service Employee Insurance</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 3,986
Total Assets	<u>\$ 3,986</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 9,522
Total Liabilities	<u>\$ 9,522</u>
<u>NET ASSETS</u>	
Net Assets - Unrestricted	\$ (5,536)
Total Net Assets	<u>\$ (5,536)</u>

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

	<u>Internal Service Employee Insurance</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 198,727
Total Operating Revenues	<u>\$ 198,727</u>
<u>Operating Expenses</u>	
<u>Employee Benefits</u>	
Handling Charges and Administrative Costs	\$ 17,907
Medical Claims	201,940
Total Operating Expenses	<u>\$ 219,847</u>
Operating Income	\$ (21,120)
Net Assets, July 1, 2004	<u>15,584</u>
Net Assets, June 30, 2005	<u><u>\$ (5,536)</u></u>

Hardin County, Tennessee
Statement of Cash Flows
Discretely Presented Hardin County School Department
Proprietary Fund
For the Year Ended June 30, 2005

	<u>Internal Service Employee Insurance</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from self-insurance premiums	\$ 198,727
Payments to fiscal agents	(17,907)
Payments for claims	<u>(203,911)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (23,091)</u>
Net Increase in Cash and Cash Equivalents	\$ (23,091)
Cash and Cash Equivalents, July 1, 2004	<u>27,077</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 3,986</u></u>
<u>Reconciliation of Operating Income (Loss) to</u> <u>Net Cash Provided by (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (21,120)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By Operating Activities:	
Changes in assets and liabilities:	
Decrease in accounts payable	<u>(1,971)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (23,091)</u></u>

MISCELLANEOUS SCHEDULES

Exhibit L-1

Hardin County, Tennessee
Schedule of Changes in Long-Term Notes,
Capital Leases, and Bonds
Primary Government and Discretely Presented Hardin County School Department
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	Paid and/or		Outstanding 6-30-05
						Issued During Period	Matured During Period	
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jackson State Community College Facility	\$ 750000	4 to 5.2%	7-2-1997	3-1-09	\$ 365000	\$ 0	\$ 65000	\$ 300000
School Bus, Series 1999	875000	4.25 to 5.3	10-1-1999	10-1-07	435000	0	110000	325000
Buses/Library, Series 2001	1025000	4.25 to 4.9	7-9-01	7-1-06	645000	0	205000	440000
Parrish Building - Community South, Series 2005	117500	3.89	4-15-05	6-30-07	0	117500	77500	40000
Parrish Building - Central Bank, Series 2005	117500	3.89	4-15-05	6-30-07	0	117500	77500	40000
Total Notes Payable					<u>\$ 1445000</u>	<u>\$ 235000</u>	<u>\$ 535000</u>	<u>\$ 1145000</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Rescue Squad Truck	116588	4.95	7-16-02	7-16-12	\$ 107297	\$ 0	\$ 9751	\$ 97546
Fire Trucks	427788	4.75	6-6-03	6-6-13	393378	0	36044	357334
Sheriff Department Vehicles	107645	3.95	1-15-04	1-15-06	70365	0	34501	35864
Total Capital Leases Payable					<u>\$ 571040</u>	<u>\$ 0</u>	<u>\$ 80296</u>	<u>\$ 490744</u>
<u>BONDS PAYABLE</u>								
<u>Payable through Rural Debt Service Fund</u>								
School Refunding Bonds, Series 2002	9865000	2 to 3.75	12-17-02	6-1-11	\$ 8295000	\$ 0	\$ 1455000	\$ 6840000
Total Bonds Payable					<u>\$ 8295000</u>	<u>\$ 0</u>	<u>\$ 1455000</u>	<u>\$ 6840000</u>
<u>HARDIN COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficiency Loan	311836	3	10-2-00	11-2-07	\$ 186047	\$ 0	\$ 44470	\$ 141577
Total Notes Payable					<u>\$ 186047</u>	<u>\$ 0</u>	<u>\$ 44470</u>	<u>\$ 141577</u>

Exhibit L-2

Hardin County, Tennessee
Schedule of Principal and Interest Requirements By Year
Bonds and Notes

Year Ending June 30	Principal Requirements			Interest Requirements			Total Debt Service Requirements
	Bonds	Notes	Total	Bonds	Notes	Total	
2006	\$ 1,120,000	\$ 473,332	\$ 1,593,332	\$ 220,538	\$ 45,359	\$ 265,897	\$ 1,859,229
2007	1,180,000	411,668	1,591,668	186,938	25,673	212,611	1,804,279
2008	1,220,000	180,000	1,400,000	151,538	10,767	162,305	1,562,305
2009	1,260,000	80,000	1,340,000	114,937	4,160	119,097	1,459,097
2010	1,305,000	0	1,305,000	73,987	0	73,987	1,378,987
2011	755,000	0	755,000	28,312	0	28,312	783,312
Total	<u>\$ 6,840,000</u>	<u>\$ 1,145,000</u>	<u>\$ 7,985,000</u>	<u>\$ 776,250</u>	<u>\$ 85,959</u>	<u>\$ 862,209</u>	<u>\$ 8,847,209</u>

Exhibit L-3

Hardin 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 113, Private Acts of 1929, as amended	\$ 61222 -1	\$ 50000	CNA Surety Company
Highway Commissioner	Section 8-24-102, <u>TCA</u>	57165	100000	"
Director of Schools	State Board of Education and Hardin County Board of Education	86700 -2	100000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	51968	708400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	51968	10000	"
County Clerk	Section 8-24-102, <u>TCA</u>	51968	50000	CNA Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51968	50000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	52958 (3)	105000	Western Surety Company
Register	Section 8-24-102, <u>TCA</u>	51968	25000	CNA Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	57164	25000	"
Employee Blanket Bonds:				
Office of County Mayor:				
Director of Accounts and Budget			10000	Western Surety Company
All Other Employees			5000	"
Office of Highway Commissioner			5000	"
Office of Director of Schools			150000	Tennessee School Boards Risk Management Trust

(1) Includes \$1,200 for serving as secretary to the Highway Commission.

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

(3) Includes special commissioner fees of \$990.

Exhibit L-4

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,798,562	\$ 0	\$ 0	\$ 0	\$ 191,946	\$ 150,546	\$ 0	\$ 3,141,054
Trustee's Collections - Prior Year	141,280	0	0	0	10,664	8,352	0	160,296
Circuit/Clerk & Master Collections - Prior Years	52,847	0	0	0	3,744	72	0	56,663
Interest and Penalty	46,775	0	0	0	3,331	1,301	0	51,407
Payments in Lieu of Taxes - T.V.A.	1,660	0	0	0	114	90	0	1,864
Payments in Lieu of Taxes - Local Utilities	833	0	0	0	57	45	0	935
Payments in Lieu of Taxes - Other	12,321	0	0	0	849	666	0	13,836
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	456,519	0	0	0	0	1,069,618	1,526,137
Hotel/Motel Tax	183,509	0	0	0	0	0	0	183,509
Wheel Tax	123,524	0	0	0	123,523	0	0	247,047
Litigation Tax - General	131,772	0	0	0	0	0	0	131,772
Litigation Tax - Jail, Workhouse, or Courthouse	35,529	0	0	0	0	0	0	35,529
Business Tax	79,004	0	0	0	0	0	0	79,004
Mineral Severance Tax	0	0	0	0	105,740	0	0	105,740
<u>Statutory Local Taxes</u>								
Bank Excise Tax	28,011	0	0	0	1,930	1,514	0	31,455
Wholesale Beer Tax	0	393,688	0	0	0	0	0	393,688
Interstate Telecommunications Tax	0	162	0	0	0	0	0	162
Total Local Taxes	\$ 3,635,627	\$ 850,369	\$ 0	\$ 0	\$ 441,898	\$ 162,586	\$ 1,069,618	\$ 6,160,098
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 1,763	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,763
Cable TV Franchise	65,923	0	0	0	0	0	0	65,923
<u>Permits</u>								
Beer Permits	8,221	0	0	0	0	0	0	8,221
Total Licenses and Permits	\$ 75,907	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,907
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 12,188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,188

(Continued)

Exhibit L-4

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Officers Costs	\$ 3,539	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,539
Drug Control Fines	86	0	0	0	0	0	0	86
Drug Court Fees	180	0	0	0	0	0	0	180
DUI Treatment Fines	380	0	0	0	0	0	0	380
Data Entry Fee - Circuit Court	292	0	0	0	0	0	0	292
<u>Criminal Court</u>								
Game and Fish Fines	25	0	0	0	0	0	0	25
<u>General Sessions Court</u>								
Fines	98,781	0	0	0	0	0	0	98,781
Officers Costs	62,654	0	0	0	0	0	0	62,654
Game and Fish Fines	3,768	0	0	0	0	0	0	3,768
Drug Control Fines	1,483	0	22,993	0	0	0	0	24,476
Drug Court Fees	9,053	0	0	0	0	0	0	9,053
Jail Fees	1,800	0	0	0	0	0	0	1,800
DUI Treatment Fines	12,587	0	0	0	0	0	0	12,587
Data Entry Fee - General Sessions Court	4,090	0	0	0	0	0	0	4,090
<u>Chancery Court</u>								
Officers Costs	255	0	0	0	0	0	0	255
Data Entry Fee - Chancery Court	2,110	0	0	0	0	0	0	2,110
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	29,402	0	0	0	0	29,402
Total Fines, Forfeitures, and Penalties	\$ 213,271	\$ 0	\$ 52,395	\$ 0	\$ 0	\$ 0	\$ 0	265,666
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 124,028	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	124,028
<u>Fees</u>								
Telephone Commissions	917	0	0	0	0	0	0	917
Vending Machine Collections	589	0	0	0	0	0	0	589
Constitutional Officers' Fees and Commissions	0	0	0	990	0	0	0	990
Data Processing Fee - Register	14,690	0	0	0	0	0	0	14,690
Data Processing Fee - Sheriff	8,793	0	0	0	0	0	0	8,793

(Continued)

Exhibit L-4

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Sexual Offender Registration Fee	\$ 420	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 420
Total Charges for Current Services	\$ 25,409	\$ 124,028	\$ 0	\$ 990	\$ 0	\$ 0	\$ 0	\$ 150,427
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 204,840	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,648	\$ 228,488
Lease/Rentals	87,544	0	0	0	0	82,694	0	170,238
Commissary Sales	608	0	0	0	0	0	0	608
Miscellaneous Refunds	5,109	0	0	0	44,921	0	0	50,030
<u>Nonrecurring Items</u>								
Insurance Recovery	6,403	3,223	0	0	0	0	0	9,626
Sale of Equipment	158	0	0	0	0	0	0	158
Sale of Property	15,000	4,500	0	0	0	0	0	19,500
<u>Other Local Revenues</u>								
Other Local Revenues	0	0	0	0	0	22,882	0	22,882
Total Other Local Revenues	\$ 319,662	\$ 7,723	\$ 0	\$ 0	\$ 44,921	\$ 105,576	\$ 23,648	\$ 501,530
<u>Fees Received from County Officials</u>								
<u>Fees In Lieu of Salary</u>								
County Clerk	\$ 265,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 265,372
Circuit Court Clerk	32,575	0	0	0	0	0	0	32,575
General Sessions Court Clerk	161,621	0	0	0	0	0	0	161,621
Clerk and Master	56,130	0	0	0	0	0	0	56,130
Register	175,966	0	0	0	0	0	0	175,966
Sheriff	25,134	0	0	0	0	0	0	25,134
Trustee	294,218	0	0	0	0	0	0	294,218
Total Fees Received from County Officials	\$ 1,011,016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,011,016
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,225
Aging Programs	23,967	0	0	0	0	0	0	23,967

(Continued)

Exhibit L-4

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>State of Tennessee (Cont.)</u>								
<u>General Government Grants (Cont.)</u>								
State Reappraisal Grant	\$ 14,232	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,232
Solid Waste Grants	0	22,666	0	0	0	0	0	22,666
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	7,262	0	2,019	0	0	0	0	9,281
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	184,812	0	0	184,812
Litter Program	36,063	0	0	0	0	0	0	36,063
Other Public Works Grants	0	0	0	0	139,977	0	0	139,977
<u>Other State Revenues</u>								
Income Tax	33,826	0	0	0	0	0	0	33,826
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	37,900	0	0	0	0	0	0	37,900
Mixed Drink Tax	2,472	0	0	0	0	0	0	2,472
State Revenue Sharing - T.V.A.	255,716	0	0	0	17,624	13,822	0	287,162
Contracted Prisoner Boarding	55,548	0	0	0	0	0	0	55,548
Gasoline and Motor Fuel Tax	0	0	0	0	1,825,428	0	0	1,825,428
Petroleum Special Tax	0	0	0	0	20,576	0	0	20,576
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	304,674	0	14,837	0	0	0	0	319,511
Other State Revenues	37,841	0	0	0	0	0	0	37,841
Total State of Tennessee	\$ 851,884	\$ 22,666	\$ 16,856	\$ 0	\$ 2,188,417	\$ 13,822	\$ 0	\$ 3,093,645
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 240,684	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	240,684
Homeland Security Grants	50,959	0	0	0	0	0	0	50,959
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	23,328	0	0	0	0	0	0	23,328
Total Federal Government	\$ 314,971	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 314,971

(Continued)

Exhibit L-4

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

	Special Revenue Funds					Debt Service Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 12,142	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,142
Contributions	1,000	0	0	0	0	683,514	1,069,618	1,754,132
Contracted Services	5,799	3,797	0	0	0	0	0	9,596
<u>Citizens Groups</u>								
Donations	3,886	0	0	0	0	0	0	3,886
<u>Other</u>								
Other	19,049	0	0	0	0	0	0	19,049
Total Other Governments and Citizens Groups	\$ 41,876	\$ 3,797	\$ 0	\$ 0	\$ 0	\$ 683,514	\$ 1,069,618	\$ 1,798,805
Total	\$ 6,489,623	\$ 1,008,583	\$ 69,251	\$ 990	\$ 2,675,236	\$ 965,498	\$ 2,162,884	\$ 13,372,065

Exhibit L-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,740,240	\$ 0	\$ 0	\$ 3,740,240
Trustee's Collections - Prior Year	188,826	0	0	188,826
Circuit/Clerk & Master Collections - Prior Years	72,591	0	0	72,591
Interest and Penalty	66,431	0	0	66,431
Payments in Lieu of Taxes - T.V.A.	2,219	0	0	2,219
Payments in Lieu of Taxes - Local Utilities	1,114	0	0	1,114
Payments in Lieu of Taxes - Other	16,456	0	0	16,456
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,792,578	0	0	2,792,578
<u>Statutory Local Taxes</u>				
Bank Excise Tax	37,436	0	0	37,436
Total Local Taxes	\$ 6,917,891	\$ 0	\$ 0	\$ 6,917,891
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,763	\$ 0	\$ 0	\$ 1,763
Total Licenses and Permits	\$ 1,763	\$ 0	\$ 0	\$ 1,763
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 277,274	\$ 277,274
Lunch Payments - Adults	0	0	75,236	75,236
Income from Breakfast	0	0	29,334	29,334
A la carte Sales	0	0	389,213	389,213
Receipts from Individual Schools	31,090	0	0	31,090
<u>Other Charges for Services</u>				
Other Charges for Services	447	0	0	447
Total Charges for Current Services	\$ 31,537	\$ 0	\$ 771,057	\$ 802,594
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 9,113	\$ 9,113
Lease/Rentals	1,671	0	0	1,671
Sale of Materials and Supplies	10	0	0	10
Miscellaneous Refunds	19,097	0	919	20,016
<u>Nonrecurring Items</u>				
Insurance Recovery	30,664	0	0	30,664
Sale of Equipment	2,370	0	0	2,370
Sale of Property	500	0	0	500
Damages Recovered from Individuals	938	0	0	938
<u>Other Local Revenues</u>				
Other Local Revenues	6,112	0	0	6,112
Total Other Local Revenues	\$ 61,362	\$ 0	\$ 10,032	\$ 71,394
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 12,496,631	\$ 0	\$ 0	\$ 12,496,631
School Food Service	22,157	0	0	22,157
Driver Education	12,300	0	0	12,300
Other State Education Funds	184,002	0	0	184,002
Career Ladder Program	308,956	0	0	308,956
Career Ladder - Extended Contract	119,817	0	0	119,817
<u>Other State Revenues</u>				
Mixed Drink Tax	2,472	0	0	2,472
State Revenue Sharing - T.V.A.	341,761	0	0	341,761
Total State of Tennessee	\$ 13,488,096	\$ 0	\$ 0	\$ 13,488,096

(Continued)

Exhibit L-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 726,634	\$ 726,634
Breakfast	0	0	261,901	261,901
Adult Education State Grant Program	4,294	0	0	4,294
Vocational Education - Basic Grants to States	0	108,328	0	108,328
Title I Grants to Local Education Agencies	0	1,774,975	0	1,774,975
Innovative Education Program Strategies	0	120,851	0	120,851
Special Education - Grants to States	1,204	718,521	0	719,725
Eisenhower Professional Development State Grants	0	315,796	0	315,796
Other Federal through State	62,114	66,420	0	128,534
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	1,054	0	0	1,054
Total Federal Government	\$ 68,666	\$ 3,104,891	\$ 988,535	\$ 4,162,092
Total	\$ 20,569,315	\$ 3,104,891	\$ 1,769,624	\$ 25,443,830

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

General Fund

General Government

County Commission

Clerical Personnel	\$	6,066	
Board and Committee Members Fees		37,850	
Audit Services		5,950	
Dues and Memberships		1,500	
Operating Lease Payments		3,227	
Legal Services		1,200	
Travel		3,110	
Other Charges		1,392	
Total County Commission			\$ 60,295

Board of Equalization

Board and Committee Members Fees	\$	490	
Total Board of Equalization			490

Beer Board

Board and Committee Members Fees	\$	3,200	
Office Supplies		490	
Total Beer Board			3,690

Other Boards and Committees

Board and Committee Members Fees	\$	450	
Office Supplies		162	
Total Other Boards and Committees			612

County Mayor

County Official/Administrative Officer	\$	60,022	
Secretary(s)		21,188	
Clerical Personnel		10,129	
Communication		2,756	
Postal Charges		4,386	
Travel		4,982	
Office Supplies		2,740	
Office Equipment		1,997	
Total County Mayor			108,200

County Attorney

Legal Services	\$	4,775	
Total County Attorney			4,775

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	41,575	
Part-time Personnel		13,613	
Board and Committee Members Fees		3,960	
Election Workers		10,870	
In-Service Training		247	
Communication		1,664	
Data Processing Services		4,607	
Legal Notices, Recording and Court Costs		2,276	
Postal Charges		1,754	
Printing, Stationery and Forms		23,933	
Travel		2,320	
Office Supplies		1,748	
Office Equipment		1,572	
Total Election Commission	\$		110,139

Register of Deeds

County Official/Administrative Officer	\$	51,968	
Deputy(ies)		41,019	
Communication		2,420	
Data Processing Services		14,505	
Maintenance & Repair Services- Equipment		700	
Postal Charges		450	
Travel		1,000	
Other Contracted Services		2,250	
Office Supplies		8,766	
Office Equipment		4,200	
Total Register of Deeds			127,278

County Buildings

Custodial Personnel	\$	58,618	
Maintenance & Repair Services- Buildings		19,706	
Maintenance & Repair Services- Equipment		1,319	
Pest Control		1,679	
Custodial Supplies		7,666	
Food Supplies		1,445	
Gasoline		2,976	
Small Tools		334	
Utilities		52,973	
Other Supplies and Materials		904	
Building and Contents Insurance		2,202	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Liability Insurance	\$	129,016	
Premiums on Corporate Surety Bonds		5,850	
Other Charges		28,609	
Building Improvements		35,125	
Maintenance Equipment		411	
Motor Vehicles		8,000	
Building Purchases		225,012	
Total County Buildings			\$ 581,845

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	39,411	
Clerical Personnel		21,010	
In-Service Training		443	
Communication		1,383	
Contracts with Government Agencies		1,350	
Data Processing Services		5,923	
Travel		971	
Office Supplies		3,200	
Office Equipment		1,989	
Total Accounting and Budgeting			75,680

Property Assessor's Office

County Official/Administrative Officer	\$	51,968	
Secretary(s)		17,090	
Clerical Personnel		58,298	
Other Salaries & Wages		7,534	
In-Service Training		980	
Communication		2,647	
Contracts with Government Agencies		213	
Contracts with Private Agencies		15,965	
Data Processing Services		5,850	
Travel		1,985	
Office Supplies		3,416	
Total Property Assessor's Office			165,946

Reappraisal Program

Other Salaries & Wages	\$	12,508	
Data Processing Services		5,000	
Postal Charges		2,060	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Travel	\$	3,741	
Office Supplies		1,999	
Total Reappraisal Program			\$ 25,308

County Trustee's Office

County Official/Administrative Officer	\$	51,968	
Deputy(ies)		20,259	
Part-time Personnel		13,764	
Other Salaries & Wages		20,298	
Communication		1,872	
Data Processing Services		5,850	
Dues and Memberships		867	
Postal Charges		5,198	
Travel		600	
Office Supplies		1,715	
Total County Trustee's Office			122,391

County Clerk's Office

County Official/Administrative Officer	\$	51,968	
Deputy(ies)		40,638	
Clerical Personnel		35,787	
Part-time Personnel		17,093	
Communication		3,532	
Data Processing Services		29,930	
Postal Charges		5,335	
Travel		901	
Office Supplies		5,148	
Total County Clerk's Office			190,332

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,968	
Deputy(ies)		102,957	
Clerical Personnel		21,188	
Part-time Personnel		9,377	
Board and Committee Members Fees		900	
Jury and Witness Fees		10,288	
Communication		3,178	
Data Processing Services		8,831	
Postal Charges		3,500	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Travel	\$	743	
Office Supplies		11,501	
Other Charges		476	
Office Equipment		8,268	
Total Circuit Court			\$ 233,175

General Sessions Court

Judge(s)	\$	79,936	
Secretary(s)		20,760	
Communication		719	
Travel		2,282	
Office Supplies		721	
Total General Sessions Court			104,418

Drug Court

Remittance of Revenue Collected	\$	9,233	
Total Drug Court			9,233

Chancery Court

County Official/Administrative Officer	\$	51,968	
Deputy(ies)		17,478	
Other Salaries & Wages		14,448	
Communication		1,200	
Postal Charges		400	
Travel		718	
Office Supplies		5,856	
Total Chancery Court			92,068

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,164	
Assistant(s)		21,569	
Deputy(ies)		449,784	
Salary Supplements		7,262	
Secretary(s)		19,195	
In-Service Training		900	
Communication		5,579	
Data Processing Services		1,247	
Dues and Memberships		1,600	
Maintenance & Repair Services- Equipment		1,000	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance & Repair Services- Vehicles	\$	25,386	
Travel		1,000	
Other Contracted Services		36,681	
Drugs and Medical Supplies		448	
Gasoline		48,240	
Law Enforcement Supplies		1,773	
Office Supplies		8,198	
Uniforms		7,265	
Utilities		536	
Principal on Capital Leases		34,501	
Interest on Capital Leases		2,779	
Communication Equipment		1,897	
Data Processing Equipment		48,986	
Law Enforcement Equipment		2,948	
Motor Vehicles		21,400	
Site Development		6,714	
Total Sheriff's Department	\$		814,052

Traffic Control

Deputy(ies)	\$	60,733	
Other Fringe Benefits		20,340	
Travel		200	
Other Supplies and Materials		1,013	
Total Traffic Control			82,286

Jail

Guards	\$	246,525	
Attendants		1,000	
In-Service Training		1,445	
Communication		6,469	
Maintenance & Repair Services- Buildings		22,702	
Medical and Dental Services		33,079	
Custodial Supplies		12,391	
Food Preparation Supplies		2,467	
Food Supplies		80,000	
Office Supplies		1,991	
Prisoners Clothing		1,551	
Uniforms		2,140	
Utilities		38,702	
Furniture and Fixtures		1,000	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Site Development	\$ 64,639	
Total Jail	<u> </u>	\$ 516,101

Juvenile Services

Youth Service Officer(s)	\$ 33,035	
Educational Assistants	24,479	
In-Service Training	2,623	
Communication	1,856	
Data Processing Services	1,200	
Transportation - Other than Students	412	
Travel	500	
Office Supplies	<u>2,045</u>	
Total Juvenile Services		66,150

Fire Prevention and Control

Captain(s)	\$ 26,150	
Mechanic(s)	42,770	
Other Salaries & Wages	11,955	
Communication	6,076	
Maintenance & Repair Services- Equipment	7,737	
Maintenance & Repair Services- Vehicles	45,705	
Travel	1,500	
Drugs and Medical Supplies	930	
Gasoline	19,525	
Instructional Supplies and Materials	2,677	
Office Supplies	1,500	
Uniforms	8,294	
Utilities	29,798	
Other Supplies and Materials	4,804	
Principal on Capital Leases	45,795	
Interest on Capital Leases	24,014	
Office Equipment	3,552	
Site Development	3,600	
Other Equipment	<u>31,473</u>	
Total Fire Prevention and Control		317,855

Civil Defense

Assistant(s)	\$ 21,752	
Clerical Personnel	7,344	
Part-time Personnel	6,499	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Other Salaries & Wages	\$	1,970	
Communication		1,995	
Maintenance & Repair Services- Equipment		1,400	
Maintenance & Repair Services- Vehicles		1,819	
Equipment and Machinery Parts		4,498	
Instructional Supplies and Materials		51,452	
Office Supplies		3,500	
Motor Vehicles		8,500	
Office Equipment		297	
Total Civil Defense			\$ 111,026

Public Safety Grant Programs

Other Salaries & Wages	\$	5,252	
Instructional Supplies and Materials		14,665	
Total Public Safety Grant Programs			19,917

Other Public Safety

Supervisor/Director	\$	2,884	
Contracts with Government Agencies		187,538	
Total Other Public Safety			190,422

Public Health and Welfare

Local Health Center

Medical Personnel	\$	17,678	
Custodial Personnel		3,600	
Communication		3,149	
Contracts with Government Agencies		2,172	
Maintenance & Repair Services- Buildings		2,081	
Postal Charges		2,396	
Travel		3,980	
Drugs and Medical Supplies		1,590	
Office Supplies		3,079	
Utilities		6,869	
Site Development		695,021	
Other Equipment		2,497	
Total Local Health Center			744,112

Rabies and Animal Control

Contracts with Government Agencies	\$	61,556	
Total Rabies and Animal Control			61,556

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 100,000	
Utilities	536	
Motor Vehicles	50,000	
Total Ambulance/Emergency Medical Services		\$ 150,536

Alcohol and Drug Programs

Contributions	\$ 1,000	
Total Alcohol and Drug Programs		1,000

Crippled Children Services

Contributions	\$ 2,005	
Total Crippled Children Services		2,005

Other Local Health Services

Supervisor/Director	\$ 1,384	
Social Security	98	
Travel	1,723	
Total Other Local Health Services		3,205

General Welfare Assistance

Contributions	\$ 1,000	
Total General Welfare Assistance		1,000

Other Local Welfare Services

Supervisor/Director	\$ 5,391	
Social Security	333	
Unemployment Compensation	91	
Employer Medicare	78	
Travel	53	
Total Other Local Welfare Services		5,946

Sanitation Education/Information

Foremen	\$ 25,077	
Other Salaries & Wages	23,418	
Maintenance & Repair Services- Equipment	941	
Gasoline	2,613	
Instructional Supplies and Materials	9,326	
Other Supplies and Materials	4,244	
Total Sanitation Education/Information		65,619

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	20,259	
Custodial Personnel		3,680	
Other Salaries & Wages		8,175	
Communication		1,149	
Maintenance & Repair Services- Buildings		283	
Maintenance & Repair Services- Vehicles		389	
Postal Charges		84	
Travel		780	
Office Supplies		730	
Utilities		950	
Other Supplies and Materials		1,050	
Vehicle and Equipment Insurance		650	
Total Senior Citizens Assistance			\$ 38,179

Libraries

Assistant(s)	\$	19,035	
Supervisor/Director		27,288	
Part-time Personnel		8,801	
Other Salaries & Wages		53,296	
Communication		8,007	
Janitorial Services		5,000	
Office Supplies		22,059	
Utilities		23,424	
Other Equipment		23,200	
Total Libraries			190,110

Other Social, Cultural and Recreational

Contributions	\$	19,500	
Total Other Social, Cultural and Recreational			19,500

Agriculture & Natural Resources

Agriculture Extension Service

County Official/Administrative Officer	\$	17,624	
Assistant(s)		18,039	
Deputy(ies)		7,329	
Secretary(s)		7,115	
Social Security		1,105	
Extension Service Medicare		517	
Other Fringe Benefits		3,965	
Office Supplies		5,000	
Total Agriculture Extension Service			60,694

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Forest Service

Forest Resource Services	\$ 1,000	
Total Forest Service		\$ 1,000

Soil Conservation

Contributions	\$ 20,084	
Total Soil Conservation		20,084

Flood Control

Other Salaries & Wages	\$ 2,096	
Office Supplies	2,259	
Total Flood Control		4,355

Other Agriculture & Natural Resources

Part-time Personnel	\$ 2,122	
Food Preparation Supplies	39	
Utilities	752	
Total Other Agriculture & Natural Resources		2,913

Other Operations

Tourism

Contributions	\$ 175,833	
Total Tourism		175,833

Industrial Development

Contracts with Government Agencies	\$ 40,000	
Dues and Memberships	11,783	
Other Charges	2,873	
Site Development	22,000	
Total Industrial Development		76,656

Housing and Urban Development

Contracts with Private Agencies	\$ 188,886	
Total Housing and Urban Development		188,886

Other Economic and Community Development

Other Charges	\$ 11,512	
Total Other Economic and Community Development		11,512

Airport

Contributions	\$ 12,500	
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(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Remittance of Revenue Collected	\$ 320	
Total Airport		\$ 12,820

Veterans' Services

Supervisor/Director	\$ 18,617	
Secretary(s)	9,656	
Communication	1,926	
Travel	913	
Office Supplies	1,806	
Office Equipment	1,985	
Total Veterans' Services		34,903

Other Charges

Operating Lease Payments	\$ 2,100	
Trustee's Commission	75,225	
Workers' Compensation Insurance	64,071	
Liability Claims	68,581	
Other Self-Insured Claims	7,395	
Total Other Charges		217,372

Contributions to Other Agencies

Contributions	\$ 20,500	
Total Contributions to Other Agencies		20,500

Employee Benefits

Social Security	\$ 147,657	
State Retirement	187,534	
Life Insurance	8,413	
Medical Insurance	350,280	
Dental Insurance	14,785	
Unemployment Compensation	12,452	
Employer Medicare	34,585	
Other Fringe Benefits	6,750	
Total Employee Benefits		762,456

Miscellaneous

Legal Services	\$ 14,575	
Medical and Dental Services	38	
Other Charges	5,615	
Total Miscellaneous		20,228

Total General Fund		\$ 7,026,664
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(Continued)

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	39,411	
Secretary(s)		10,129	
Communication		2,924	
Maintenance & Repair Services- Equipment		973	
Travel		1,122	
Office Supplies		2,500	
Total Sanitation Management			\$ 57,059

Waste Pickup

Mechanic(s)	\$	28,000	
Truck Drivers		105,971	
Maintenance & Repair Services- Equipment		32,374	
Gasoline		55,207	
Small Tools		4,723	
Tires and Tubes		6,701	
Other Supplies and Materials		3,322	
Solid Waste Equipment		9,909	
Total Waste Pickup			246,207

Convenience Centers

Laborers	\$	177,000	
Advertising		215	
Communication		4,825	
Rentals		3,027	
Utilities		12,592	
Other Supplies and Materials		12,500	
Total Convenience Centers			210,159

Landfill Operation and Maintenance

Disposal Fees	\$	316,600	
Other Contracted Services		7,594	
Site Development		1,000	
Total Landfill Operation and Maintenance			325,194

Other Operations

Other Charges

Trustee's Commission	\$	9,706	
Workers' Compensation Insurance		31,291	
Total Other Charges			40,997

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	22,341	
State Retirement		17,569	
Life Insurance		706	
Medical Insurance		35,430	
Dental Insurance		1,306	
Unemployment Compensation		3,922	
Employer Medicare		5,225	
Total Employee Benefits			\$ 86,499

Total Solid Waste/Sanitation Fund \$ 966,115

Drug Control Fund

Public Safety

Drug Enforcement

Investigator(s)	\$	22,032	
Salary Supplements		2,019	
Animal Food and Supplies		838	
Office Supplies		568	
Law Enforcement Equipment		19,783	
Total Drug Enforcement			\$ 45,240

Other Operations

Employee Benefits

Social Security	\$	1,476	
State Retirement		1,930	
Life Insurance		56	
Medical Insurance		3,253	
Dental Insurance		136	
Unemployment Compensation		252	
Employer Medicare		345	
Total Employee Benefits			7,448

Total Drug Control Fund 52,688

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	990	
Total Chancery Court			\$ 990

Total Constitutional Officers - Fees Fund 990

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
Assistant(s)		41,241	
Secretary to Board		1,200	
Accountants/Bookkeepers		55,657	
Educational Incentive - Other County Employees		3,000	
Board and Committee Members Fees		4,520	
Communication		23,262	
Data Processing Services		6,457	
Dues and Memberships		2,730	
Legal Notices, Recording and Court Costs		702	
Maintenance Agreements		271	
Postal Charges		922	
Printing, Stationery and Forms		721	
Travel		7,918	
Electricity		4,624	
Food Preparation Supplies		971	
Natural Gas		4,071	
Office Supplies		4,550	
Water and Sewer		591	
Other Charges		380	
Total Administration			\$ 220,953

Highway and Bridge Maintenance

Laborers	\$	615,612	
Clerical Personnel		6,098	
Engineering Services		7,400	
Other Contracted Services		232,474	
Asphalt		83,775	
Asphalt - Cold Mix		4,255	
Asphalt - Hot Mix		276,609	
Concrete		910	
Crushed Stone		86,314	
Office Supplies		400	
Pipe		14,690	
Road Signs		9,395	
Wood Products		1,738	
Gravel and Chert		3,764	
Other Supplies and Materials		6,944	
Total Highway and Bridge Maintenance			1,350,378

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	21,142	
Laborers		17,389	
Maintenance Personnel		35,903	
Maintenance & Repair Services- Equipment		17,986	
Maintenance & Repair Services- Vehicles		12,528	
Diesel Fuel		74,550	
Equipment and Machinery Parts		48,134	
Garage Supplies		2,761	
Gasoline		25,589	
Lubricants		7,366	
Propane Gas		1,348	
Small Tools		16	
Tires and Tubes		23,787	
Other Supplies and Materials		3,400	
Total Operation and Maintenance of Equipment	\$		291,899

Other Charges

Liability Insurance	\$	55,627	
Trustee's Commission		25,077	
Workers' Compensation Insurance		106,625	
Interest on Notes		2,253	
Total Other Charges			189,582

Employee Benefits

Social Security	\$	65,578	
State Retirement		66,868	
Life Insurance		3,924	
Medical Insurance		167,701	
Dental Insurance		7,332	
Unemployment Compensation		3,622	
Total Employee Benefits			315,025

Capital Outlay

Maintenance & Repair Services- Buildings	\$	3,183	
Bridge Construction		11,076	
Highway Equipment		39,729	
Motor Vehicles		23,298	
Office Equipment		14,224	
State Aid Projects		250,285	
Total Capital Outlay			341,795

Total Highway/Public Works Fund \$ 2,709,632

(Continued)

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

General Debt Service Fund

Principal

General Government

Principal on Notes	\$ 328,650	
Principal on Other Loans Payable	185,000	
Total General Government		\$ 513,650

Education

Principal on Notes	\$ 206,350	
Total Education		206,350

Interest

General Government

Interest on Notes	\$ 33,929	
Interest on Other Loans Payable	143,849	
Total General Government		177,778

Education

Interest on Notes	\$ 31,709	
Total Education		31,709

Other Debt Service

General Government

Trustee's Commission	\$ 4,206	
Other Debt Service	23,867	
Total General Government		28,073

Total General Debt Service Fund \$ 957,560

Rural Debt Service Fund

Principal

Education

Principal on Bonds	\$ 1,455,000	
Total Education		\$ 1,455,000

Interest

Education

Interest on Bonds	\$ 253,275	
Total Education		253,275

Other Debt Service

Education

Trustee's Commission	\$ 10,634	
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(Continued)

Exhibit L-6

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

Rural Debt Service Fund (Cont.)

Other Debt Service (Cont.)

Education (Cont.)

Other Debt Service

\$ 482

Total Education

\$ 11,116

Total Rural Debt Service Fund

\$ 1,719,391

General Capital Projects Fund

Capital Projects

Other General Government Projects

Architects

\$ 55,676

Land

140,024

Site Development

3,514

Total Other General Government Projects

\$ 199,214

Total General Capital Projects Fund

199,214

Total Governmental Funds - Primary Government

\$ 13,632,254

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,755,209	
Career Ladder Program	192,688	
Career Ladder Extended Contracts	98,000	
Educational Assistants	218,224	
Other Salaries & Wages	11,587	
Certified Substitute Teachers	101,801	
Social Security	492,180	
State Retirement	460,565	
Medical Insurance	1,286,772	
Dental Insurance	56,448	
Unemployment Compensation	13,652	
Employer Medicare	115,107	
Maintenance & Repair Services- Equipment	16,968	
Other Contracted Services	2,622	
Instructional Supplies and Materials	911	
Textbooks	209,095	
Other Supplies and Materials	144,639	
Other Charges	760	
Regular Instruction Equipment	7,118	
Total Regular Instruction Program		\$ 11,184,346

Special Education Program

Teachers	\$ 1,029,213	
Career Ladder Program	22,088	
Educational Assistants	23,833	
Certified Substitute Teachers	12,232	
Social Security	65,300	
State Retirement	59,210	
Medical Insurance	160,336	
Dental Insurance	7,484	
Unemployment Compensation	1,416	
Employer Medicare	15,272	
Contracts with Private Agencies	5,891	
Maintenance & Repair Services- Equipment	332	
Instructional Supplies and Materials	5,650	
Other Supplies and Materials	5,798	
Other Charges	122	
Total Special Education Program		1,414,177

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	554,743	
Career Ladder Program		12,990	
Certified Substitute Teachers		6,380	
Social Security		33,984	
State Retirement		31,225	
Medical Insurance		86,464	
Dental Insurance		3,731	
Unemployment Compensation		742	
Employer Medicare		7,948	
Instructional Supplies and Materials		320	
Other Supplies and Materials		16,518	
Other Charges		1,220	
Total Vocational Education Program	\$		756,265

Adult Education Program

Teachers	\$	72,532	
Other Salaries & Wages		1,688	
Social Security		4,602	
State Retirement		2,548	
Medical Insurance		4,542	
Unemployment Compensation		219	
Employer Medicare		1,076	
Instructional Supplies and Materials		4,116	
Other Supplies and Materials		17	
Other Equipment		1,698	
Total Adult Education Program			93,038

Support Services

Attendance

Supervisor/Director	\$	24,077	
Career Ladder Program		3,000	
Social Security		1,678	
State Retirement		1,489	
Medical Insurance		4,216	
Dental Insurance		249	
Unemployment Compensation		28	
Employer Medicare		392	
Travel		2,541	
Other Contracted Services		13,612	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Other Supplies and Materials	\$	1,146	
In Service/Staff Development		200	
Total Attendance			\$ 52,628

Health Services

Medical Personnel	\$	55,423	
Social Security		3,435	
State Retirement		5,010	
Medical Insurance		8,758	
Dental Insurance		498	
Unemployment Compensation		106	
Employer Medicare		803	
Travel		388	
Drugs and Medical Supplies		2,303	
Other Supplies and Materials		550	
In Service/Staff Development		525	
Other Charges		144	
Total Health Services			77,943

Other Student Support

Career Ladder Program	\$	10,135	
Guidance Personnel		474,025	
Social Workers		43,570	
Attendants		15,569	
School Resource Officer		6,765	
Other Salaries & Wages		50,865	
Social Security		35,332	
State Retirement		33,464	
Medical Insurance		104,260	
Dental Insurance		4,353	
Unemployment Compensation		904	
Employer Medicare		8,263	
Evaluation and Testing		8,432	
Travel		2,301	
Other Supplies and Materials		984	
In Service/Staff Development		455	
Other Charges		582	
Total Other Student Support			800,259

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	136,744	
Career Ladder Program		18,000	
Librarians		309,273	
Instructional Computer Personnel		42,805	
Clerical Personnel		13,934	
Other Salaries & Wages		20,946	
Social Security		32,383	
State Retirement		29,436	
Medical Insurance		61,625	
Dental Insurance		2,840	
Unemployment Compensation		758	
Employer Medicare		7,574	
Maintenance & Repair Services- Equipment		160	
Travel		12,157	
Other Contracted Services		1,609	
Library Books/Media		40,728	
Other Supplies and Materials		5,506	
In Service/Staff Development		1,295	
Other Charges		581	
Other Equipment		11,926	
Total Regular Instruction Program			\$ 750,280

Special Education Program

Supervisor/Director	\$	56,695	
Career Ladder Program		1,917	
Assessment Personnel		41,223	
Social Security		6,000	
State Retirement		6,113	
Medical Insurance		6,379	
Dental Insurance		398	
Unemployment Compensation		130	
Employer Medicare		1,404	
Travel		22,236	
Other Supplies and Materials		3,710	
In Service/Staff Development		738	
Other Charges		2,235	
Other Equipment		1,489	
Total Special Education Program			150,667

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	26,843	
Career Ladder Program		1,000	
Secretary(s)		10,499	
Other Salaries & Wages		27,143	
Social Security		4,027	
State Retirement		3,973	
Medical Insurance		9,083	
Dental Insurance		498	
Unemployment Compensation		119	
Employer Medicare		942	
Travel		1,980	
Other Supplies and Materials		92	
Other Charges		3,004	
Total Vocational Education Program	\$		89,203

Adult Programs

Supervisor/Director	\$	43,802	
Other Salaries & Wages		9,993	
Social Security		3,314	
State Retirement		2,409	
Medical Insurance		4,542	
Dental Insurance		249	
Unemployment Compensation		105	
Employer Medicare		775	
Maintenance & Repair Services- Equipment		275	
Travel		5,005	
Other Supplies and Materials		987	
In Service/Staff Development		390	
Other Charges		3,997	
Total Adult Programs			75,843

Board of Education

Board and Committee Members Fees	\$	9,896	
Dental Insurance		1,741	
Other Fringe Benefits		14,790	
Audit Services		8,000	
Dues and Memberships		9,171	
Legal Services		47,306	
Travel		2,665	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Contracted Services	\$	1,750	
Other Supplies and Materials		153	
Liability Insurance		40,760	
Trustee's Commission		156,821	
Workers' Compensation Insurance		161,261	
In Service/Staff Development		2,883	
Other Charges		2,724	
Total Board of Education			\$ 459,921

Director of Schools

County Official/Administrative Officer	\$	86,000	
Secretary(s)		27,868	
Clerical Personnel		13,934	
Social Security		7,819	
State Retirement		8,509	
Medical Insurance		13,445	
Dental Insurance		746	
Unemployment Compensation		80	
Employer Medicare		1,829	
Communication		2,369	
Dues and Memberships		1,881	
Maintenance & Repair Services- Equipment		1,580	
Postal Charges		3,204	
Travel		1,817	
Office Supplies		4,180	
In Service/Staff Development		10	
Other Charges		383	
Administration Equipment		3,025	
Total Director of Schools			178,679

Office of the Principal

Principals	\$	295,012	
Career Ladder Program		14,000	
Accountants/Bookkeepers		23,126	
Assistant Principals		130,162	
Secretary(s)		121,928	
Clerical Personnel		12,345	
Social Security		35,123	
State Retirement		37,749	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Medical Insurance	\$	89,736	
Dental Insurance		4,789	
Unemployment Compensation		1,077	
Employer Medicare		8,214	
Communication		20,135	
Dues and Memberships		1,100	
Maintenance & Repair Services- Equipment		3,033	
Postal Charges		1,798	
Travel		1,720	
Other Supplies and Materials		2,716	
Administration Equipment		3,750	
Total Office of the Principal			\$ 807,513

Fiscal Services

Supervisor/Director	\$	51,012	
Accountants/Bookkeepers		27,868	
Social Security		4,874	
State Retirement		7,131	
Medical Insurance		8,758	
Dental Insurance		498	
Unemployment Compensation		106	
Employer Medicare		1,140	
Data Processing Services		5,133	
Maintenance & Repair Services- Equipment		1,376	
Travel		1,342	
Data Processing Supplies		3,248	
Office Supplies		1,586	
Other Charges		253	
Administration Equipment		1,686	
Total Fiscal Services			116,011

Operation of Plant

Custodial Personnel	\$	331,667	
Other Salaries & Wages		139	
Social Security		20,102	
State Retirement		26,196	
Medical Insurance		105,971	
Dental Insurance		5,991	
Unemployment Compensation		1,523	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Employer Medicare	\$	4,701	
Janitorial Services		780	
Laundry Service		3,722	
Disposal Fees		2,831	
Other Contracted Services		2,263	
Custodial Supplies		64,574	
Electricity		595,385	
Equipment and Machinery Parts		863	
Natural Gas		194,360	
Water and Sewer		41,940	
Other Supplies and Materials		17,414	
Boiler Insurance		6,230	
Building and Contents Insurance		113,492	
Other Charges		1,477	
Plant Operation Equipment		8,974	
Total Operation of Plant			\$ 1,550,595

Maintenance of Plant

Supervisor/Director	\$	35,268	
Maintenance Personnel		112,571	
Other Salaries & Wages		1,920	
Social Security		8,800	
State Retirement		13,538	
Medical Insurance		27,186	
Dental Insurance		1,907	
Unemployment Compensation		331	
Employer Medicare		2,058	
Maintenance & Repair Services- Buildings		44,002	
Maintenance & Repair Services- Equipment		51,632	
Equipment and Machinery Parts		37,916	
General Construction Materials		19,684	
Other Supplies and Materials		10,255	
Other Charges		956	
Total Maintenance of Plant			368,024

Transportation

Supervisor/Director	\$	31,149
Mechanic(s)		51,954
Bus Drivers		338,662

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Salaries & Wages	\$	2,437	
Social Security		25,541	
State Retirement		36,583	
Medical Insurance		49,254	
Dental Insurance		2,529	
Unemployment Compensation		1,787	
Employer Medicare		5,973	
Contracts with Parents		8,002	
Maintenance & Repair Services- Vehicles		15,761	
Medical and Dental Services		4,369	
Other Contracted Services		416	
Diesel Fuel		100,520	
Garage Supplies		2,192	
Gasoline		10,841	
Lubricants		4,134	
Tires and Tubes		20,092	
Vehicle Parts		24,000	
Vehicle and Equipment Insurance		35,040	
Other Charges		2,305	
Transportation Equipment		2,254	
Total Transportation	\$		775,795

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,450	
Career Ladder Program		3,000	
Accountants/Bookkeepers		27,868	
Other Salaries & Wages		3,639	
Social Security		5,155	
State Retirement		5,869	
Medical Insurance		241,282	
Dental Insurance		13,620	
Unemployment Compensation		130	
Employer Medicare		1,206	
Communication		1,800	
Travel		5,154	
Office Supplies		40	
In Service/Staff Development		624	
Total Food Service			361,837

(Continued)

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 12,868	
Total Regular Capital Outlay		\$ 12,868

Principal

Education

Principal on Notes	\$ 44,470	
Total Education		44,470

Interest

Education

Interest on Notes	\$ 5,581	
Total Education		5,581

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,307,677	
Total Education		<u>1,307,677</u>

Total General Purpose School Fund		\$ 21,433,620
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 708,279	
Educational Assistants	79,786	
Other Salaries & Wages	4,999	
Certified Substitute Teachers	15,450	
Social Security	44,194	
State Retirement	45,787	
Medical Insurance	144,777	
Dental Insurance	6,737	
Unemployment Compensation	1,161	
Employer Medicare	10,336	
Maintenance & Repair Services- Equipment	354	
Other Contracted Services	43,554	
Instructional Supplies and Materials	505,370	
Other Supplies and Materials	13,682	
Regular Instruction Equipment	<u>92,301</u>	
Total Regular Instruction Program		\$ 1,716,767

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	69,819	
Educational Assistants		250,269	
Other Salaries & Wages		27,111	
Social Security		21,044	
State Retirement		25,113	
Medical Insurance		104,392	
Dental Insurance		6,862	
Unemployment Compensation		1,555	
Employer Medicare		4,922	
Contracts with Private Agencies		330	
Other Contracted Services		8,227	
Instructional Supplies and Materials		46,093	
Other Supplies and Materials		150	
Special Education Equipment		24,756	
Total Special Education Program	\$		590,643

Vocational Education Program

Teachers	\$	27,405	
Educational Assistants		2,144	
Social Security		1,790	
State Retirement		1,701	
Medical Insurance		4,216	
Dental Insurance		249	
Unemployment Compensation		51	
Employer Medicare		419	
Maintenance & Repair Services- Equipment		265	
Other Supplies and Materials		9,986	
Other Charges		1,368	
Vocational Instruction Equipment		46,968	
Total Vocational Education Program			96,562

Support Services

Other Student Support

Psychological Personnel	\$	12,957	
School Resource Officer		8,000	
Social Security		1,299	
State Retirement		1,934	
Medical Insurance		1,687	
Dental Insurance		100	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	303	
Travel		10,896	
Other Contracted Services		11,453	
Other Supplies and Materials		5,793	
In Service/Staff Development		635	
Total Other Student Support			\$ 55,057

Regular Instruction Program

Supervisor/Director	\$	58,481	
Other Salaries & Wages		200,349	
Social Security		15,363	
State Retirement		14,423	
Medical Insurance		31,073	
Dental Insurance		1,306	
Unemployment Compensation		682	
Employer Medicare		3,593	
Travel		35,905	
Other Contracted Services		15,943	
Library Books/Media		4,149	
Other Supplies and Materials		6,798	
In Service/Staff Development		82,411	
Other Charges		522	
Other Equipment		37,790	
Total Regular Instruction Program			508,788

Special Education Program

Psychological Personnel	\$	73,520	
Assessment Personnel		63,395	
Secretary(s)		11,082	
Other Salaries & Wages		31,488	
Social Security		10,187	
State Retirement		13,958	
Medical Insurance		20,186	
Dental Insurance		995	
Unemployment Compensation		314	
Employer Medicare		2,383	
Travel		7,440	
In Service/Staff Development		3,910	
Total Special Education Program			238,858

Total School Federal Projects Fund \$ 3,206,675

(Continued)

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	556,708	
Other Salaries & Wages		30,950	
Social Security		35,965	
State Retirement		46,176	
Unemployment Compensation		3,352	
Employer Medicare		8,411	
Communication		3,509	
Maintenance & Repair Services- Equipment		10,201	
Transportation - Other than Students		12,387	
Travel		123	
Other Contracted Services		8,595	
Food Preparation Supplies		40,340	
Food Supplies		826,449	
Office Supplies		4,917	
Other Supplies and Materials		27,972	
In Service/Staff Development		205	
Other Charges		1,230	
Food Service Equipment		10,617	
Total Food Service			<u>\$ 1,628,107</u>

Total Central Cafeteria Fund \$ 1,628,107

Total Governmental Funds - Hardin County School Department \$ 26,268,402

Hardin 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	\$ 1254775
Total Cash Receipts	<u>\$ 1254775</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1242227
Trustee's Commission	<u>12548</u>
Total Cash Disbursements	<u>\$ 1254775</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

Hardin County, Tennessee
Uncollected Taxes Filed in Chancery Court
For the Year Ended June 30, 2005

<u>Year</u>	<u>Amount</u>
1994	\$ 10,334
1995	12,007
1996	16,564
1997	16,617
1998	23,430
1999	27,168
2000	49,131
2001	84,002
2002	105,883
2003	<u>167,600</u>
Total	<u>\$ 512,736</u>

Table 2

Hardin County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.831	\$ 0.831	\$ 0.905	\$ 0.831	\$ 0.834	\$ 0.834	\$ 0.720	\$ 0.720	\$ 0.740	\$ 0.740
Highway/Public Works	0.054	0.054	0.064	0.064	0.059	0.059	0.051	0.051	0.051	0.051
General Purpose School	1.205	1.205	1.121	1.020	1.017	1.017	0.989	0.989	0.989	0.989
General Debt Service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.040	0.040
Total Tax Rate	\$ 2.090	\$ 2.090	\$ 2.090	\$ 1.915	\$ 1.910	\$ 1.910	\$ 1.760	\$ 1.760	\$ 1.820	\$ 1.820
<u>Assessed Valuation</u>										
Real and Personal	\$ 218,181,192	\$ 228,816,571	\$ 260,079,935	\$ 299,721,678	\$ 312,326,518	\$ 309,671,414	\$ 372,255,690	\$ 367,469,697	\$ 372,407,150	\$ 379,871,736
Public Utilities	22,760,922	22,676,277	18,919,431	20,796,438	22,676,913	22,415,575	27,145,295	27,631,407	24,866,475	26,044,197
Total Assessed Valuation	\$ 240,942,114	\$ 251,492,848	\$ 278,999,366	\$ 320,518,116	\$ 335,003,431	\$ 332,086,989	\$ 399,400,985	\$ 395,101,104	\$ 397,273,625	\$ 405,915,933

SINGLE AUDIT SECTION



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

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

January 13, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Hardin County's basic financial statements and have issued our report thereon dated January 13, 2006. 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 Hardin County'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 Hardin County'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 05.01, 05.03, and 05.04.

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.

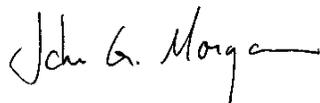
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 05.02.

We have also noted certain matters that we reported to the management of Hardin County in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

January 13, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the 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 Hardin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hardin County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Hardin County 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 Hardin County'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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated January 13, 2006. 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, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

OTHER AUDITOR'S 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
For Park Rest Hardin County Health Center

Park Rest Hardin County Health Center
Savannah, Tennessee

We have audited the financial statements of Park Rest Hardin County Health Center as of and for the year ended June 30, 2005, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park Rest Hardin County Health Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions. 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 mistakes 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Park Rest Hardin County Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the board of directors, management, and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

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

For Hardin Medical Center

Chairman and Board of Directors
Hardin Medical Center
Savannah, Tennessee

We have audited the financial statements of Hardin Medical Center as of and for the year ended June 30, 2005, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions. 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 mistakes 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Hardin Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the board of directors, management, and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

OTHER AUDITOR'S 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

For Hardin County Emergency Communications District

Board of Directors
Hardin County Emergency Communications District
Savannah, Tennessee

We have audited the financial statements of Hardin County Emergency Communications District as of and for the year ended June 30, 2005, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions. 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 mistakes 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors, and the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Hardin County, Tennessee
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	(2)	\$ 118,947
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	261,901
National School Lunch Program	10.555	N/A	726,634
Total U. S. Department of Agriculture			\$ 1,107,482
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants - State's Program	14.228	GG041076500	\$ 240,684
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	(2)	188,886
Total U.S. Department of Housing and Urban Development			\$ 429,570
U.S. Department of Justice:			
Passed-through State Office of Juvenile Justice and Delinquency Prevention:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,225
Passed-through State Office of Criminal Justice Programs:			
Byrne Formula Grant Program	16.579	Z9908845100	36,740
Total U.S. Department of Justice			\$ 45,965
U.S. Department of the Treasury:			
Direct Program:			
Gang Resistance Education and Training	16.737	N/A	\$ 23,328
Total U.S. Department of the Treasury			\$ 23,328
U.S. Department of Labor:			
Passed-through Southwest Human Resource Agency:			
WIA Incentives Grants - Section 503 Grants to States	17.267	(2)	\$ 41,827
Passed-through State Department of Labor and Workforce Development:			
WIA Incentives Grants - Section 503 Grants to States	17.267	Z0402562801	3,016
Total U.S. Department of Labor			\$ 44,843
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z05024111	\$ 67,448
Total U.S. Department of Transportation			\$ 67,448
National Endowment For The Arts:			
Passed-Through State Department of Library and Archives:			
State Library Program	45.310	Z0402187700	\$ 11,600
Total National Endowment For The Arts			\$ 11,600
U.S. Department of Education:			
Direct Program:			
Safe and Drug-Free Schools and Communities - National Program	84.184	N/A	\$ 1,054
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z0502222500	4,294
Vocational Education - Basic Grants to States	84.048	N/A	107,089
Passed-through State Department of Education:			

(Continued)

Hardin County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,081,691
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	793,695
Special Education - Preschool Grants	84.173	N/A	37,009
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	33,024
State Grants for Innovative Programs	84.298	N/A	34,400
Education Technology State Grants	84.318	(2)	21,824
Reading First State Grants	84.357	(2)	718,280
Rural Education	84.358	N/A	122,017
Improving Teacher Quality State Grants	84.367	N/A	258,850
Total U.S. Department of Education			<u>\$ 3,213,227</u>
U.S. Department of Health and Human Services:			
Passed-through Administration on Aging:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 23,967
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z0502231700	17,271
Total U.S. Department of Health and Human Services			<u>\$ 41,238</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402010200	\$ 34,857
Emergency Management Performance Grants	97.042	Z0402025600	3,220 (3)
Emergency Management Performance Grants	97.042	Z0502541000	12,882 (3)
Total U.S. Department of Homeland Security			<u>\$ 50,959</u>
Total Expenditures of Federal Awards			<u>\$ 5,035,660</u>
State Grants:			
Litter Program - State Department of Transportation	N/A	(2)	\$ 36,063
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	14,232
Optional Safety Grant - State Department of Transportation	N/A	(2)	139,977
Electronic Fingerprint Imaging System Grant - State Office of Criminal Justice Programs			
	N/A	(2)	14,837
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	22,666
Safe Schools Act - State Department of Education	N/A	(2)	7,662
Total State Grants			<u>\$ 235,437</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total Emergency Management Performance Grants (CFDA Number 97.042) from the U.S. Department of Homeland Security \$16,102.

Hardin County, Tennessee
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 Hardin County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	174	Expenditures exceeded appropriations
04.02	175	A central system of accounting, budgeting, and purchasing had not been adopted
04.03	175	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

HARDIN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of Hardin County.
2. The audit of the financial statements of Hardin County disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit did not disclose any noncompliance that is material to the financial statements of Hardin County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Reading First State Grants (CFDA No. 84.357) 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. Hardin County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.01 **THE EMPLOYEE INSURANCE FUND HAD A NET ASSETS DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Employee Insurance Fund (internal service fund) had a net assets deficit of \$5,536 at June 30, 2005. This deficit resulted from the department's incurring medical claims exceeding self-insurance premiums.

RECOMMENDATION

School Department officials should liquidate the net assets deficit and should closely review and monitor this situation to determine if the fund can be self-sufficient over an extended period of time.

FINDING 05.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

General Purpose School Fund expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control):

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Special Education Program	\$ 3,946
Board of Education	3,892
Operation of Plant	32,994
Food Service	1,154

Section 5-9-401, Tennessee Code Annotated, states, "All funds from whatever source derived including, but not limited to ... taxes, county aid funds, federal funds and fines which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.03 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

FINDING 05.04 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal awards.

**HARDIN COUNTY, TENNESSEE
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.